Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In re Applications of	)	
	)	
CONSTELLATION COMMUNICATIONS, INC.	)	File Nos. 9-SAT-LA-95 ✓
	)	10-SAT-AMEND-95
	)	
LORAL/QUALCOMM PARTNERSHIP, L.P.	)	File Nos. 13-SAT-LA-95
	)	14-SAT-AMEND-95
	)	
MOTOROLA SATELLITE COMMUNICATIONS, INC.	)	File Nos. 15-SAT-LA-95
	)	16-SAT-AMEND-95
	)	
✓ TRW INC.	)	File Nos. 17-SAT-LA-95
	)	18-SAT-AMEND-95
	)	
For Authority to Construct, Launch, and Operate a Low-Earth Orbit Mobile Satellite System in the 1610-1626.5 MHz and 2483.5-2500 MHz Bands	)	

CONSOLIDATED PETITION TO DENY

MOBILE COMMUNICATIONS HOLDINGS, INC.

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SUMMARY

On November 16, 1994, five companies, including Mobile Communications Holdings, Inc. ("MCHI"), submitted conforming amendments to their pending applications for authorization of low-Earth orbit mobile satellite systems. In this petition, MCHI demonstrates that the amendments submitted by Motorola Satellite Communications, Inc. ("Motorola"), Loral/Qualcomm Partnership, L.P. ("LQP"), Constellation Communications, Inc. ("Constellation"), and TRW Inc. ("TRW") fail to satisfy the Commission's financial and/or legal requirements. The applications should therefore be denied, deferred or designated for hearing, as appropriate.

None of the four applicants has provided evidence of committed funds sufficient to meet the cost of constructing, launching, and operating a billion dollar (or multi-billion dollar) satellite system. Although each purports to rely on internal funding for the project, all of the management letters contain equivocal language that is clearly intended to avoid any real commitment of funds to the project. None of these letters provides any assurance that the applicant has the "current financial ability" required by Commission Rule 25.140. The most serious deficiencies include:

- Motorola provides no evidence of how it intends to meet Iridium launch costs. In addition, its management letter from Motorola, Inc., at best, indicates the parent company's willingness to cover its subsidiary's costs, not the actual system costs. This is a meaningless statement because Iridium, Inc., not the applicant, is contractually obligated to fund the system.
- LQP has submitted a letter proposing to use Loral Corporation's internal funds or to assist the applicant in arranging financing. This alternative language does not provide any assurance that internal funds will be available, and, in fact, Loral's recent Securities and Exchange Commission ("SEC") filings indicate that primarily external financing, not internal funds, will be used to fund the system.

- Constellation has provided letters from two of the company's shareholders which, by their terms, indicate only a conditional "intent to provide financial support" for the project, and which have other serious shortcomings.
- TRW's claim of intent to fund the system from internal assets is wholly inconsistent with the company's public announcements that it intends to rely on external funding.

In this satellite proceeding, the Commission is faced with a unique factual situation. The three public company applicants--Motorola, Loral, and TRW--have publicly and explicitly stated outside the FCC (in disclosures to the SEC or in a company press release), that they intend primarily to fund their respective satellite projects from external sources and not internal assets or income. In each case, the company has expressly stated that external debt and equity investment will be the source of system funding. This inconsistency between the applicants' conforming amendments and their other public disclosures raises serious questions as to their candor with the Commission in purporting to rely upon internal funding when they in fact have no intention whatsoever of doing so. The Commission cannot, in good faith, condone this disregard of long-standing Commission rules and policies emphasizing the importance of truthfulness in submissions to and dealings with the FCC. Under well-established precedent, the lack of candor and misrepresentations that have occurred require denial of the three applications.

Even if the Commission chooses to overlook the possible abuse of Commission processes that has occurred, the Commission must conclude that the applicants have failed to establish their financial qualifications. To the extent that the applicants are, in fact, relying on external funding (which all available evidence demonstrates to be the case), they must make the same financial showing as other applicants relying on such funding in order to satisfy the Commission's Rules. This means that the applicants must submit evidence of fully-negotiated, non-contingent

commitments for debt and/or equity investment sufficient to meet the costs of construction, launch, and first-year operation of the proposed satellite systems. This information has not been submitted by any of the public company applicants. This omission renders their applications fatally defective and requires the Commission, at a minimum, to defer consideration of the applications until January, 1996.

In addition to the applicants' deficient financial showings, serious questions are raised as to the applicants' legal qualifications. Constellation's failure to disclose the major ownership changes that have occurred (more than 50% of its stock is now in new hands), and the lack of an unrelated business purpose for the transfers, compel denial of Constellation's request for exemption from the cut-off rules and dismissal of its application. The new owners of Constellation should not be permitted to step into the former applicant's shoes given the possibility that all of the applicants cannot be accommodated in the allocated spectrum. The Motorola/Iridium and Loral/Globalstar ownership structures also bear further scrutiny to determine whether a transfer of control has occurred.

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CONSOLIDATED PETITION TO DENY

Mobile Communications Holdings, Inc. ("MCHI"), by its attorneys and pursuant to Section 309(d) of the Communications Act of 1934, as amended, hereby petitions the Commission to deny the above-captioned applications of Constellation Communications, Inc. ("Constellation"), Loral/QUALCOMM Partnership, L.P. ("LQP"), Motorola Satellite Communications, Inc. ("Motorola"), and TRW Inc. ("TRW") for authorization of low-Earth orbit ("LEO") mobile satellite service ("MSS") systems in the 1610-1626.5 MHz and 2483.5-2500 MHz bands. These applications were amended on November 16, 1994 pursuant to the Commission's Report and Order

in CC Docket No. 92-166, 47 CFR Parts 25 and 94, Licensing Policies and Procedures, Satellite Communications, 59 Fed. Reg. 53,294 (Oct. 21, 1994) (the "Report and Order").[1/]

I. INTRODUCTION

On October 14, 1994, the Commission issued its Report and Order adopting licensing and operational rules for the MSS Above 1 GHz. Pending applicants were given until November 16, 1994 to file amended applications conforming to the final rules. All six pending applicants submitted conforming amendments on November 16, 1994. With the exception of AMSC Subsidiary Corporation ("AMSC"), all of the amendments were found acceptable for filing.[2/]

In this petition, MCHI demonstrates that there are serious deficiencies and defects in the financial and legal qualification showings of Constellation, LQP, Motorola and TRW. In particular, the financial showings made by all four applicants elevate form over substance, without any correlation to financial ability or reality. These paper showings fail to conform to the FCC's clear efforts in the Report and Order, and in its recent representations to the U.S. Court of

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1/ MCHI has a vital interest in the subject applications which propose to share the same frequencies for which MCHI has applied. MCHI is in direct competition with the other Big LEO applicants and is therefore a "party in interest" with standing to file this petition. See, e.g., Federal Communications Commission v. Sanders Bros. Radio Station, 309 U.S. 470, 477 (1940).

2/ Public Notice Report No. DS-1481, DA-1291, November 21, 1994. See also Public Notice, Report No. DS-1492, released November 30, 1994. AMSC elected to defer its financial showing until January, 1996. See Amended Application of AMCS Subsidiary Corporation at 34 (File Nos. 19-SAT-LA-95 and 20-SAT-AMEND-95). Because the Commission will take no further action with respect to AMSC's application until AMSC amends to demonstrate financial qualifications, this Consolidated Petition does not address AMSC's application. MCHI reserves the right to comment on AMSC's amended application at the appropriate time.

Appeals for the District of Columbia Circuit, to establish a level playing field among all applicants with respect to the seriousness and irrevocability of financial commitments.[3/]

In fact, all of these applicants are playing word games with the Commission by claiming to rely on internal assets to fund system development when they in fact have no intention of doing so. A careful review of the management letter(s) submitted by each applicant reveals the efforts that each has made to avoid any real commitment of funds to its respective satellite project. In the case of the three public company applicants--Motorola, LQP and TRW--the companies' public disclosures (or lack of public disclosures) in Securities and Exchange Commission ("SEC") filings confirm that funding for the systems will not come from internal assets. In each of these cases, the company plans to fund the system from external debt and equity financing.

The Commission must deal firmly with the applicants' apparently intentional efforts to subvert the Commission's rules and the public by claiming to rely upon internal assets. The Commission properly insists upon candor from its licensees, during the application process and thereafter. The serious inconsistencies between the applicants' FCC filings and other public disclosures raise a substantial and material question of fact as to whether these applicants have the financial (and legal) qualifications to be Commission licensees.

Moreover, to the extent that these companies actually intend to rely on external debt and equity funding--which the record clearly reflects they do--they are required to demonstrate fully-negotiated, irrevocable commitments under Rule 25.140(d)(2). This they have failed to do.

3/ See Mobile Communications Holdings, Inc. v. Federal Communications Commission, No. 94-1695,(D.C. Cir. Nov. 8, 1994).

Equally troublesome from a public interest standpoint are the major ownership changes which have occurred without disclosure to the Commission. While Constellation's conduct in this regard is most egregious (none of its originally disclosed stockholders still remain involved), the complex ownership structures created by Motorola and LQP also bear close scrutiny. These ownership structures raise substantial and material questions of fact as to the identity of the real party in interest underlying each application. These applications should, at a minimum, be set for a hearing to ascertain the true facts.

II. SUMMARY OF PETITION

A. Financial Standards And Criteria[4/]

In the Report and Order, the Commission adopted a financial standard developed in the domestic satellite ("domsat") proceedings. Under this standard, the applicant must provide assurance of current financial ability to meet the estimated construction, launch and first year operation costs for the satellite system. See 47 C.F.R. § 25.140(d). An applicant's ability to finance its system can be demonstrated by either of internal or external financing, or a combination of the two. 47 C.F.R. §§ 25.140(d)(1), (2). In either case, the showing is a two-step process. First, the applicant must demonstrate the factual availability of the necessary funds. Second, the applicant must demonstrate that those funds are committed to the satellite project. See Report and Order, 59 Fed. Reg. at 53,299 ¶ 35.

[4/] Although the specific factual circumstances of each applicant differ, the regulatory and legal principles, particularly those relating to financial standards and criteria, are broadly applicable. In order to provide a framework for the analysis, and in the interests of economy, these principles, which are applied to each applicant in turn, are summarized below.

Although the applicant may choose to rely upon current assets, operating income, and/or external debt or equity financing, in all cases, sufficient funds must be committed to the project to cover estimated costs. 47 C.F.R. § 25.140(d)(2). The Commission has repeatedly stated that the level of commitment required for internal funding is the same as for external funds. "Consistent with [the Commission's] approach to credit arrangements provided by outside sources," the management of the source of internal funds "must commit that absent a change in circumstances, it is prepared to expend the necessary funds." Report and Order, 59 Fed. Reg. at 53,299 ¶ 35. The Commission states this level of commitment is "exactly equivalent to the irrevocable financing required for companies who require external financing to fund a satellite system." Opposition of the Federal Communications Commission to Petitioner's Emergency Motion for a Stay Pending Review at 14, Mobile Communications Holdings, Inc. v. Federal Communications Commission, No. 94-1695 (D.C. Cir. Nov. 14, 1994) (emphasis added).[5/]

The Commission's recent interpretation of the applicable financial standard before the D.C. Circuit makes clear that the FCC's intent is to create a level playing field for all Big LEO applicants. MCHI's clear preference has been to allow all qualified systems to go to the marketplace and allow the financial community, not the Commission, to decide which systems should be funded.[6/] Because the Commission has decided otherwise, it is imperative that the financial

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[5/] The relevant language from the Commission's pleading is provided at Exhibit 1. MCHI filed a petition for review of the Report and Order in the D.C. Circuit. Mobile Communications Holdings, Inc. v. FCC, No. 94-1695 (D.C. Cir. Nov. 8, 1994). The petition for review is still pending in the D.C. Circuit; MCHI filed a motion that the court granted to hold that proceeding in abeyance pending Commission action on the Big LEO applications.

[6/] MCHI had also supported, as did three of the other applicants, a financial standard allowing the applicants to demonstrate 25% of the necessary funding. See Joint Proposal and Settlement Agreement, filed September 9, 1994, in CC Docket No. 92-166.

standards be applied impartially as to all applicants in accordance with the Commission's rules and its representations to the D.C. Circuit.

An "exactly equivalent" standard requires, at a minimum, that all companies make candid disclosures as to how they will fund their proposed systems and that they be serious and consistent in their intent to draw on internal assets, even if only as fall-back source of funding, should that be the basis for their claim to financial qualification. The Commission requires that companies relying on internal assets must, at least, assure the same level of commitment as a company relying on external funding. This commitment must, at a minimum, be evidenced by unequivocal language committing the requisite funds to the project, absent changes in market conditions, without any contingencies such as Board or stockholder approval. A careful review of the management letters submitted by each applicant, as discussed below, indicates that this threshold has not been met because each management letter falls far short of the commitment required.

Leaving aside the sufficiency of the management letters, a far more serious issue is raised by the lack of candor in the amendments. This is the first satellite case of which MCHI is aware in which three of the applicants--Motorola, LQP, and TRW--have taken totally inconsistent positions at the FCC and in other public disclosures, including formal SEC filings and company press releases, about their financial plans. Although maintaining a facade of reliance on internal funding in their FCC amendments, the applicants have publicly stated otherwise. This contradictory evidence raises substantial and material questions of fact that the Commission must address as to (1) whether each company will rely upon internal funding as it claims in the amendment; and (2) whether the applicants are legally qualified to be Commission licensees given the possible lack of candor, misrepresentations, and/or Rule 1.65 violations that may have occurred.

In resolving these factual issues, it can be assumed that the companies' SEC disclosures (or lack of disclosures) reflect their true financial plans. Public disclosures to the SEC are governed by the Securities Exchange Act of 1934, the Securities Act of 1933, and SEC rules (primarily Rule 10b-5) which impose private civil liability, civil monetary penalties, remedial and/or criminal sanctions[7/] for misleading statements or false registration statements.[8/] Rule 10b-5 issued under the 1934 Act provides:

> It shall be unlawful for any person directly or indirectly . . . to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading.[9/]

The severe potential sanctions for securities violations make it highly likely that the SEC disclosures by Motorola, Inc. and Loral Corporation (i.e., that the systems will be funded by external debt and equity) accurately reflect the companies' actual financial plans. In addition, the absence of SEC disclosures by TRW in formal SEC filings, that it has committed significant internal funds to the respective satellite projects, also has probative value and indicates that the company has not made a commitment of such funds.[10/] Funding of a multi-billion dollar satellite project from internal assets would normally be considered a sufficiently material fact to be

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7/ For example, the Securities Exchange Act of 1934 provides for criminal penalties of up to a $1 million fine and/or ten years in prison for individuals, and up to a $2.5 million fine for corporations. Securities Exchange Act of 1934, as amended, § 32(a), 15 U.S.C. § 78ff(a) (1988). The Securities Act of 1933 provides a criminal fine of $10,000 and/or imprisionment for five years for an untrue statement or material omission in a registration statement. Securities Act of 1933, as amended § 24, 15 U.S.C. § 77x (1988).

8/ Appropriate extracts from securities statutes and regulations are attached as Exhibit 2.

9/ 17 C.F.R. § 240.10b-5 (1994).

10/ See Rule 10b-5, supra note 9 (making omission of a material fact from SEC public disclosures unlawful).

disclosed in at least conditional terms by the company in the "Liquidity and Capital Resources" section of its SEC Form 10-K and/or Form 10-Q.

MCHI finds it difficult to reconcile the inconsistency between the applicants' public disclosures (or omissions) in SEC filings and their FCC submissions except that the companies view the FCC showing as essentially pro forma and thus meaningless. This may be exculpatory, but hardly comes up to the level of seriousness or commitment which the Commission requires. Indeed, this conduct also raises a serious question as to whether the companies are guilty of misrepresentation and lack of candor to the Commission. It is axiomatic that license applicants have "an affirmative duty to go much beyond the barest 'technical accuracy' and must candidly apprise the Commission of all circumstances which are likely to be of decisional significance." George F. Cameron, Jr. Communications, 52 Rad. Reg.2d (P & F) 455, 473-74, recon. denied, 53 Rad. Reg.2d (P & F) 917 (1982). The Commission must be careful not to sanction or to invite similarly manipulative behavior in the future.

If, as it appears, the applicants do not intend to rely on internal financing but actually intend to rely upon external debt and equity funding, then they must submit evidence under Rule 25.140(d)(2) of fully negotiated, non-contingent commitments for the estimated system costs. To exempt large companies from this standard would be arbitrary and capricious. "Melody Music and its progeny appropriately recognize the importance of treating parties alike when they participate in the same event or when the agency vacillates without reason in its application of a statute or the implementing regulations." New Orleans Channel 20, Inc. v. FCC, 830 F.2d 361, 366 (D.C. Cir. 1987). See Melody Music, Inc. v. FCC, 345 F.2d 730, 732-733 (D.C. Cir. 1985). See also Crain Broadcasting, Inc., 8 F.C.C. Rcd. 4406 (1993). If a waiver of the financial

standards is to be granted to the public companies, all of the applicants must be treated equally. WAIT Radio v. FCC, 418 F.2d 1153, 1159 (D.C.Cir. 1969) ("Sound administrative procedure contemplates waivers, or exceptions granted only pursuant to a relevant standard . . . [which is] best expressed in a rule that obviates discriminatory approaches.").[11/]

In addition, the courts have cautioned the Commission about the danger of relying upon its familiarity with a company's wealth rather than actual compliance with the Commission's rules in determining an applicant's financial qualifications. Northeast Cellular Telephone Co. v. FCC, 897 F.2d 1164, 1167 (D.C. Cir. 1990). In Northeast Cellular, the court of appeals vacated the Commission's decision to accept NYNEX's inadequate financial showing not conforming to the Commission's rules in a cellular proceeding merely on the basis of the company's "bigness and national reputation." Id.

The deficiencies in the financial qualification showings of all four applicants require the Commission, at a minimum, to defer consideration of their applications until January, 1996. However, serious factual questions have been raised as to whether the public company applicants qualified to be a Commission licensee in light of the lack of candor and misrepresentations to the Commission that have occurred. These serious factual questions about the companies' legal qualifications require that the applications be denied or, at a minimum, designated for hearing.

11/ Moreover, the Commission may only grant a waiver if there is "good cause" to do so, 47 C.F.R. § 1.3, and must articulate "special circumstances beyond those considered during the regular rulemaking," Northcast Cellular Telephone Company v. FCC, 897 F.2d 1164, 1166 (D.C. Cir 1990) (citing Industrial Broadcasting Co. v. FCC, 431 F.2d 680, 683 (D.C. Cir. 1970). It may then only grant the waiver if the waiver is required by the public interest. WAIT Radio, 418 F.2d at 1157.

B. Specific Deficiencies In Applicants' Legal And Financial Showings

A detailed discussion of each company's financial and legal qualifications showings is provided in Parts III through VI. The most serious deficiencies and defects are highlighted below:

1. Motorola Satellite Communications, Inc.

Motorola Satellite Communications, Inc., the applicant, has not provided any evidence of a management commitment by its parent, Motorola, Inc., to commit the necessary internal funds to meet the estimated system construction, launch and operation cost, as required by the Report and Order. Its management letter[12/] states only that Motorola, Inc. will "meet" the subsidiary's costs. This is more than a technical error. It is well known (and a matter of public record) that Iridium, Inc., a company in which Motorola has a minority interest, not the applicant, is contractually obligated to fund the Iridium system costs. Motorola's letter is therefore insufficient to demonstrate the applicant's financial qualification.

Motorola also fails to demonstrate any commitment whatsoever from Motorola, Inc. to fund launch costs from internal funds or even to indicate how these very substantial[13/] costs will be financed. Again, this serious omission cannot be inadvertent. Motorola's failure even to mention launch costs in the Motorola, Inc. management letter or elsewhere in its application amendment must be viewed as a deliberate attempt to obscure this critical financial issue. Even assuming that these costs will be met by external funding or vendor financing, no evidence is

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12/ For the Commission's convenience, the management letters submitted by each applicant are attached in Exhibit 3.

13/ Motorola lists launch services and insurance as costing $885 million. Motorola Amendment, Table R-5 (Rev. 1) (Nov. 15, 1994).

provided of a fully-negotiated, irrevocable commitment for externally-financed launch services as Commission rules require.

2. Loral Qualcomm Partnership, L.P.

LQP has submitted a management letter from Loral Corporation which indicates that it proposes to rely on internal Loral Corporation funds, or, in the alternative, on external funding. This unexpected and, indeed, peculiar formulation has a dual effect: to relieve Loral Corporation of the burden of committing internal funds by creating an option, exclusively exercisable by Loral, to shift the burden of fundraising to LQP. That it is indeed Loral's intention to shift the burden to LQP is revealed in its. SEC Registration Statement Form S-1 filed November 29, 1994, by Globalstar Telecommunications Limited, one week after LQP filed its amendment. Together with Loral Corporation's March 31, 1994 SEC Form 10-K, it is clear that a maximum of $107 million of the funding for the Globalstar project will be provided from internal Loral Corporation funds.[14/] The Registration Statement further states that the Globalstar project will require both debt financing and external equity investment to meet the estimated $1.9 billion cost and that Loral Corporation has made no commitment to fund any external financing shortfalls.[15/]

There is nothing wrong with LQP taking on the financing job, but then Loral Corporation's suggestion that it has committed internal funds should be dismissed as transparent and inadequate and LQP should be held to the standard of proving that fully-negotiated, non-contingent, external funding has been committed to the project. See 47 C.F.R.

14/ See Globalstar Telecommunications Limited SEC Form S-1 (sample prospectus at 3, 7) (SEC Registration No. 33-86808 Nov. 29, 1994) and Loral Corporation SEC Form 10-K at F-10 (SEC File No. 1-4238 Mar. 31, 1994). Relevant excerpts from this Registration Statement are provided at Exhibit 6 and from the Form 10-K in Exhibit 7.

15/ See Globalstar Form S-1, supra note 14,. at 7 & n.4.

§ 25.140(d)(2). There is no evidence in LQP's amendment that any external funding has been irrevocably committed, as required by Commission rules. For failure to demonstrate financial qualifications, the LQP application should be deferred until January, 1996. Moreover, LQP's misrepresentation as to its reliance on internal funds raises the same character qualification issues as Motorola's amendment. LQP's lack of candor to the Commission requires that the Commission deny its application, or at least set it for hearing to ascertain the facts relative to the extent of misrepresentation that has occurred.

3. Constellation Communications, Inc.

Constellation's financial showing is equally defective. It relies on the current assets of two stockholders, Bell Atlantic and E-Systems. Bell Atlantic is currently barred from investing in Constellation under the Modified Final Judgment and its letter, in any event, requires Board approval and is therefore fatally contingent. E-Systems lacks sufficient current assets and operating income to fund the system costs, and therefore cannot be relied upon to demonstrate financial wherewithal. Moreover, E-Systems' equivocal language is far from a commitment of funds to this project.

Even more seriously, Constellation has violated the Commission's cut-off rules by changing more than 50% of the company ownership without timely disclosure as required by FCC rules.[16/] This ownership change, at a minimum, disqualifies Constellation from consideration in the current processing group. Far from being an incidental, unrelated transaction, the transfer of 38.7% of Constellation's stock to E-Systems and Bell Atlantic was solely intended to allow these

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16/ Rule 1.65 provides that "[e]ach applicant is responsible for the continuing accuracy and completeness of information furnished in a pending application . . . ." 47 C.F.R. § 1.65 (1993).

companies to step into Constellation's shoes. Where, as here, the other applicants have actively prosecuted their applications at great expense and all applicants may not be accommodated in the available spectrum, waiver of the cut-off rules to allow an entirely new applicant is not in the public interest.

4. TRW Inc.

TRW's claim to rely upon internal funding is also at odds with its public pronouncements, most recently in a November 15, 1994 company press release, that it will fund system development through external debt and/or equity financing. Further undercutting its claim to rely on internal funding, TRW has made no public disclosure to the SEC that it has undertaken a contingent liability to fund the Odyssey system. This evidence demonstrates that TRW has no intention of using internal assets to fund the project, and its application is therefore defective without evidence of fully-negotiated and committed external financing. At a minimum, the application must be deferred until January, 1996. In addition, TRW's representations to the Commission also raise candor issues identical to those raised by the Motorola and Loral amendments, requiring the Commission to deny its application or, at least, designate it for hearing.

III. MOTOROLA'S APPLICATION SHOULD BE DENIED

A. Motorola Has Failed To Demonstrate Financial Qualifications Under The FCC's Standard

In its November 16, 1994 amendment, Motorola submits the following financial information: (1) a 1994 Third Quarter Report and 1993 Annual Report; (2) a letter, signed by Carl Koenemann, Executive Vice President and Chief Financial Officer, Motorola, Inc., indicating that the

parent company is "fully committed to meeting the construction costs and operating expenses of the subsidiary in connection with its proposed Iridium system."[17/] Motorola estimates that construction, launch and operation expenses for Iridium will be $3.759 billion.[18/]

The Motorola letter indicates only that the parent is prepared to meet **the construction costs and operating expenses "of the subsidiary" and not of the full Iridium system**. The subsidiary and license applicant, Motorola Satellite Communications, has undertaken no real-world responsibility to build and pay for the Iridium system. This apparent commitment is therefore an illusory one.[19/] As is well known, the subsidiary will have minimal construction costs and operating expenses because those costs will be borne by others, primarily Iridium, Inc., in which Motorola has only a minority interest (less than 29%).

Iridium, Inc. has entered into a contract with Motorola, Inc. under which Motorola will construct and launch the Iridium system and Iridium, Inc. will pay for these services. The construction/launch contract was disclosed in Motorola's August 2, 1993 SEC Form 8-K, and subsequently in Motorola's October 1, 1994 SEC Form 10-Q. Excerpts from the Motorola-Iridium contract are attached as Exhibit 4. Under this contract, neither Motorola, Inc. nor the applicant has any obligation to fund the Iridium system costs,[20/] and the management letter

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17/ Motorola Amendment at Exh. 1 (emphasis added).

18/ Id. at Table R-5 (Rev. 1).

19/ Motorola's claim that the management is firmly committed to financing system costs "out of internal funds if necessary" (at 5) mischaracterizes the terms of the letter.

20/ See Iridium Space System Contract Between Iridium, Inc. and Motorola, Inc., Art. 6 (July 29, 1993) (conditioning Motorola's obligation to construct the Iridium System on Iridium, Inc.'s written proof of its ability to pay construction and launch costs prior to each calendar quarter, in the form of letters of credit, cash escrow deposits, or bank statements). See also id. Art. 26 (absolutely limiting Motorola's liability to Iridium, Inc. in connection with any matter arising out of

Footnote continued on next page

provides no commitment whatsoever to meet those total costs. At best, Motorola has promised the Commission only to cover Motorola Satellite Communications, Inc.'s nominal costs, the nature and extent of which have yet to be identified and documented, but can hardly include the satellite system.

Equally important, neither the Motorola letter nor the amendment indicates how the substantial launch costs will be met. The letter omits any reference whatsoever to the launch costs, which are estimated to be $885 million. Motorola Amendment, Table R-5 (Rev. 1) and Exhibit 1 thereto. If these costs will be met by external funding, then evidence must be provided of fully negotiated commitments for launch costs under the Commission's rules. There is no evidence in the amendment that Motorola, Inc. will cover these costs.

Motorola asserts without documentation that "approximately $1.6 billion has been raised from strategic partners all around the world." Motorola Amendment at 5. This represents less than 30% of the identified system costs. Significantly, however, Motorola itself has characterized this external funding as "conditional" in its SEC filings.[21/] The Motorola amendment does not submit these conditional contracts for public examination. No terms of the funding are provided. Nor has Motorola submitted any letters of commitment or agreements documenting this

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Footnote continued from previous page

any aspect of the Iridium system to $100 million). Appropriate excerpts from this contract are provided at Exhibit 4.

21/ See Motorola, Inc. SEC Form 10-Q at Liquidity and Capital Resources Section (SEC File No. 1-7221 Oct. 1, 1994). Excerpt is attached at Exhibit 5.

external funding.[22/] This conditional equity funding therefore cannot be considered in evaluating Motorola's financial qualifications.

On its face, Motorola has failed to provide sufficient evidence of its financial qualifications and the Commission should therefore defer consideration of the Motorola application until January, 1996.

B. Motorola's Application Raises A Material Question Of Fact As To Whether A Major Ownership Change Has Occurred

In its amendment, Motorola makes no reference to Iridium, Inc. This omission is serious given the myriad number of press releases, and the company's own SEC disclosures, that have revealed Iridium's key role in the development and funding of the system. This public information strongly suggests that Motorola is the applicant in name only. All control and ownership of the Iridium system has been shifted to Iridium, Inc.,[23/] in which Motorola, by its admission, has only a minority (29%) interest.[24/] Motorola, in effect, serves only as Iridium's hired coordinator of system development. Iridium has contracted with Motorola Inc. for the system design, construction, launch, operations, and maintenance.[25/]

Motorola's failure to notify the Commission of the specific nature of its relationship with Iridium, Inc. and the apparent transfer of control over the Iridium system, raise questions as to its

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22/ Having objected to MCHI's efforts to protect confidential agreements with its vendors and investors, Motorola should be held to the same standard of disclosure.

23/ See Exhibit 4.

24/ See Motorola, Inc. SEC Form 10-K at Strategic Investment Section (SEC File No. 1-7221 Dec. 31, 1993). Motorola, Inc. "intends to further reduce its ownership [in Iridium, Inc.] to not less than 15% over time." Id.

25/ See Motorola-Iridium contract at Exhibit 4.

compliance with the Commission's information requirements (Rule 25.114) and with the provisions of Rule 1.65. Under Commission Rule 25.114, applications for space station authorizations must contain an up-to-date Form 430 disclosing the applicant's ownership. Without full disclosure of the applicant's ownership, the Commission cannot fulfill its statutory obligations to review the ownership and other qualifications of Commission licensees. See 47 U.S.C. § 308(b). "The duty of candor is basic, and well known." RKO General, Inc. v. FCC, 670 F.2d 215, 229 (D.C. Cir. 1981), cert. denied, 456 U.S. 927 (1982). Applicants have an "affirmative duty to inform the Commission of the facts it needs in order to fulfill its statutory mandate." Id.

This ownership disclosure requirement is particularly important for global systems like the Big LEOs. In licensing these systems the Commission will take responsibility for ensuring that these systems conform to the parameters of their licenses. The United States will undertake to coordinate these satellite systems internationally and assume responsibility for their proper and lawful operation as U.S. satellite systems. For these purposes, the FCC must be sure that the true owner and operator of the system will be subject to FCC sanctions and direction. That is one central purpose of the licensing process.[26/] If the licensee through its parent has only a minority interest in the owner of the operating satellite system, the Commission has diminished capability to ensure that the system owner and operator complies with Commission rules regarding licensee conduct.

26/ Licensees are obligated to "at all times retain exclusive responsibility for the operation and control of the radio facilities." Gulf Coast Communications, Inc., 81 F.C.C.2d 499, 549 (1980), recon. denied, 82 F.C.C.2d 1033 (1982) (quoting Intermountain Microwave, 24 Rad. Reg.2d (P & F) 983, 984 (1963)).

In this case, Motorola has apparently delegated fundamental ownership rights to a separate company, Iridium, Inc., whose ownership is not disclosed. There are serious questions concerning whether Iridium is the real party in interest behind the Motorola application and whether Motorola has been candid in its representations to the Commission. See A.S.D. Answer, Inc., 61 Rad. Reg.2d (P & F) 1043 (1986). See also Christina Communications, 63 Rad. Reg.2d (P & F) 277 (1987). The Commission has dismissed applications where stock ownership is concealed. See FCC v. WOKO, Inc., 329 U.S. 223 (1946). In such cases, the "fact of concealment may be more significant than the facts concealed." Id. at 227.

Motorola found the Iridium, Inc. contract to be sufficiently material to disclose details to the SEC over a year ago. Yet, even today, Motorola has not clarified the FCC record. It is axiomatic that applicants must promptly report under Rule 1.65 any substantial change in circumstances relating to basic qualifications including any substantial change in ownership or legal status. Amendment of Part 1 Rules of Practice and Procedure, 3 Rad. Reg.2d (P & F) 1622, 1624 (1964). The Commission has explained that an applicant's Rule 1.65 obligation "to keep [information in an application] substantially accurate and complete is akin to the duty of avoiding an initial misrepresentation or lack of candor." Id.

The specific nature of the relationship between Motorola and Iridium, Inc. is a material factor "which may make a difference from the standpoint of the public interest" and which the Commission "should be aware of in order to reach a realistic decision." Id. at 1625. As discussed above, Iridium, Inc.'s obligations are directly relevant to the applicant's financial qualifications and to its accountability to the Commission.

In addition, if, as appears possible, a major ownership change has occurred, Motorola should be disqualified from consideration in the current processing group unless it can demonstrate a public interest justification for the change. There is insufficient evidence to determine whether an exemption from the cut-off rules is warranted under the applicable public interest standard. The Commission, at a minimum, must compel submission of sufficient factual information to evaluate the nature of the change and its purpose.

IV. LORAL/QUALCOMM'S APPLICATION SHOULD BE DENIED

LQP relies upon internal financing from 51% owner Loral Corporation to demonstrate its financial qualifications to meet the estimated $1.554 billion in satellite construction, launch, and first-year operating costs. To this end, it includes in its amended application a balance sheet for Loral Corporation showing in excess of $1.8 billion in current assets and $400 million in operating income. LQP Amendment, Appendix D at F-3, F-4.

Loral Corporation itself is not the applicant, but is a parent corporation to Loral General Partner, Inc., the general partner of the applicant partnership.[27/] Commission regulations require evidence of "a commitment to the proposed satellite program by management of the corporate parent upon whom it is relying for financial resources." 47 C.F.R. § 25.140(d)(1). It is well-established that where an applicant is "owned by more than one entity, i.e., is not a wholly-owned subsidiary," the Commission requires a "firm financial commitment" from the corporate

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27/ See Loral Amendment App C. LQP is 51% owned by Loral General Partner, Inc., a wholly-owned subsidiary of Loral Corporation and 49% owned by Qualcomm Limited Partner, Inc., a wholly-owned subsidiary of Qualcomm.

parent on whose balance sheet it is relying. Licensing Space Stations in the Domestic Fixed-Satellite Service, Report and Order, 58 Rad. Reg.2d (P & F) 1267, 1273 (1985).

In its financial showing, Loral Corporation provides a letter[28/] and an affidavit by Michael B. Targoff, Senior Vice President and Secretary. LQP Amendment, App. D. Together these items establish only that "absent a material change in circumstances, Loral Corporation is prepared to expend the necessary funds **or** to take all reasonable steps to cause LQP to raise and expend the necessary funds, to finance the construction, launch, and operation of the GLOBALSTAR system for one year after the launch of the first satellite." LQP Amendment at 11 (emphasis added).

Loral Corporation's alternative language--that the parent company is prepared to expend the necessary funds **or** to assist in helping the applicant to raise funding--does not meet the Commission's standard. A "commitment" stated in the alternative, where the committing party has sole discretion on which course to take, is wholly illusory. Indeed, the second clause, with respect to external funding, undermines LQP's claim to rely on internal funding and confirms Loral's intention to require LQP to raise the money externally. The reason for this equivocation is clear. Loral Corporation has no intention of using its internal funds for the project.

Loral Corporation described its true financial plans to the SEC in a November 29, 1994 filing, confirming that it has no intention of committing internal funds. A Form S-1 Registration Statement for an initial public offering of Globalstar Telecommunications Limited, filed with the SEC a week after LQP filed its FCC amendment, states that there are currently "irrevocable commitments" of only $475 million to the Globalstar project, consisting of $275 million in equity

28/ Provided for convenience at Exhibit 3.

and $200 million in vendor financing.[29/] If the proposed stock offering is successful in raising the planned $358 million, the registration statement indicates that only approximately 40% of the expected capital requirements for the Globalstar system will have been raised, and that the remaining system costs of more than $1 billion must be obtained, if at all, from debt issuances and service revenues.[30/]

Similarly, in its most recent SEC Form 10-K filing, Loral Corporation discloses that (1) the Globalstar project has only $275 million in capital commitments; (2) Loral Corporation's own capital commitment is limited to $107 million; and (3) Loral Corporation expects to sell some of its equity in LQP to other strategic partners, ultimately reducing its direct and indirect equity interest in the applicant from the current 42% to about 25%.[31/] Loral Corporation Form 10-K at F-10 (year ending Mar. 31, 1994). Loral further explained to the SEC that Globalstar, L.P. intends to raise the difference between the $275 million committed and the system price tag through "sales of additional equity, advance payments from service providers, and debt financing."[32/] None of Loral's later 1994 SEC filings lists additional Globalstar funding as a commitment, or even a contingent liability, of Loral Corporation and, in fact, specifically limit its liability to $107 million.[33/] Moreover, in the Risk Factors section of the Globalstar Telecommunications SEC Registration Statement, the company warns that if it should fail to raise sufficient

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29/ Globalstar Telecommunications Limited SEC Form S-1 (sample prospectus at 3, 7) (SEC Reg. No. 33-86808 Nov. 29, 1994). Excerpts are provided at Exhibit 6.

30/ See Exhibit 6.

31/ Loral Corporation SEC Form 10-K, at F-10 (SEC File No. 1-4238 Mar. 31, 1994). Excerpts are provided at Exhibit 7.

32/ Id. at 6.

33/ Id. at F-10.

additional external capital, it would have no commitment that Loral Corporation or any of its strategic partners would make up the shortfall with internal assets.[34/]

In the face of this clear evidence of LQP's financial plan, and the equivocal nature of the management letter, the LQP Amendment does not establish LQP's qualifications under the Commission's standard. Given its admitted reliance on external funding, LQP must be held to the same standard as other companies relying on external funding, i.e., it must submit fully negotiated, non-contingent, irrevocable debt and/or equity commitments conforming with the requirements of 47 C.F.R. § 25.140(d)(2)(i). There is no evidence in the record that this external funding is committed to the project or even that it exists at all. In fact, the SEC disclosures establish otherwise. LQP should be given time to raise the necessary funds and its application should therefore be deferred until January, 1996.

Loral's lack of candor as to its true financial plan raises a serious question about whether it meets the requisite character standards to be a Commission licensee. As discussed above, lack of candor is viewed as a serious matter by the Commission.[35/] Moreover, Loral has created a truly byzantine ownership structure which is so complex that the parent, Loral Corporation, upon whose internal funds the applicant relies, has been so effectively insulated that it does not even appear on the ownership diagram.[36/] Globalstar Telecommunications Limited, which was "founded by Loral Corporation ("Loral") and QUALCOMM Incorporated ("Qualcomm") to design, construct, and operate"[37/] the Globalstar system is not the applicant currently before the

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34/ Globalstar SEC Form S-1, supra note 29, at 10.

35/ See discussion supra at 5, 7, 15-17.

36/ Globalstar SEC Form S-1, supra note 29, at 20.

37/ Id. at 3.

Commission, and is incorporated in Bermuda. The prospectus warns the public that significant uncertainty exists as to whether the Bermuda courts would enforce a judgment rendered by a U.S. federal or state court based on U.S. law.[38/] This warning clearly implies that Globalstar might not be accountable to the FCC's regulatory authority. Loral's complex ownership labyrinth clearly must, at a minimum, be examined in a hearing where more complete information can be obtained about the actual owner and operator of the Globalstar system and LQP's compliance with Commission rules.

V. CONSTELLATION'S APPLICATION SHOULD BE DENIED

A. A Major Ownership Change Disqualifies Constellation From Consideration In This Processing Group

In its amendment, Constellation seeks an exemption from the Commission's cut-off rules because "gradual changes in the ownership of voting stock" have occurred over the last three years. When Constellation filed its application in June 1991, it identified entities holding 10% or more of the company's voting stock as: Microsat Launch Systems (39%), Defense Systems, Inc. (10.1%) and David E. Wine (14.3%). In its November 16, 1994 amendment, none of these entities is identified as a stockholder.

Constellation indicates that the company is now owned by CTA Launch Services (18.35%), E-Systems, Inc. (30.7%) and Bell Atlantic (8%). While there are other stockholders, these are not identified and presumably each has less than 10%. Based on the limited information provided, there is apparently no commonality in interest between the applicant's ownership

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38/ Id. at 18-19.

in 1991 and today.[39] The appropriate question is therefore: should Constellation be allowed to maintain its status in the current processing group given the possibility that not all applicants can be accommodated where (1) an unreported transfer of control has occurred; and (2) there is no evidence that the largest shareholder (E-Systems) acquired its stock for an unrelated business purpose when in fact, the evidence indicates that its intention was to step into the applicant's shoes. The answer is a resounding NO.

It is quite clear that Constellation has engaged in multiple, undisclosed corporate changes during the last three years. The stock transactions noted by Constellation include: (1) the sale of DSI and Microsat to CTA Inc. in June 1992 and September 1993, respectively;[40] and (2) the acquisition of PCSI by Cirrus Logic in March 1993. There are many unanswered questions, however. There is no indication, for example, as to when PCSI acquired its stock. PCSI was never identified as a Constellation stockholder. Nor is there any explanation as to David Wine's disappearance from the list of stockholders.

In addition, at some point between 1991 and 1994, E-Systems and Bell Atlantic acquired a total of 38.7% of the applicants' stock. Constellation claims that this acquisition, which represents the single largest block of the applicant's stock, was unrelated to the application. However, there is no evidence of this.[41]

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[39] This is in contrast to the circumstances in Satellite CD Radio, 9 F.C.C. Rcd. 2569 (1994) where the parent company planned to sell a minority of its stock in the public markets but the current stockholders would continue to exercise actual control. Id. at 2571. The facts considered in Satellite CD Radio are therefore clearly distinguishable from Constellation's circumstances.

[40] DSI and Microsat together held 49.1% of Constellation. Yet, according to the amendment, CTA Launch Services only holds 18.35%.

[41] Cf. ISA Communications Services, Inc., 51 Rad. Reg. 2d (P&F) 1557 (1982) in which the

Footnote continued on next page

Constellation argues that, because of the gradual nature of the ownership changes, the Commission should rule that a major change has not occurred. This argument is contrary to the weight of Commission precedent and confuses two distinct issues, namely, whether a major change occurred and, if so, whether the ownership change is in the public interest. A gradual change in stock ownership effects a transfer of control even if no one stockholder transfers a controlling interest. The Commission has held that a transfer of control occurs where more than 50% of a corporation's stock comes into new hands. See WHDH, Inc., 3 Rad. Reg.2d (P & F) 579 (1964).

In WHDH, the Commission held that when various minority stockholders sell their stock, even at different times to different entities, a transfer is effectuated at such time as 50% or more of the stock passes out of the hands of the original stockholders. Id. at 582 n.4. This is the case here. Although it is not possible to pinpoint the exact moment that control of Constellation shifted, because Constellation failed to provide detailed transactional information, more than 50% of the stock is certainly in new hands. A major ownership change has therefore occurred.[42/]

Constellation argues that the transfer should be excused, and the applicant's status unaffected, because it was either unaware that the stock changes were taking place or the transfers were concluded for reasons unrelated to Constellation. Neither of these excuses saves Constellation's application. In a closely held corporation with a small number of stockholders, stock

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Footnote continued from previous page

Commission found a legitimate business purpose where a substantial amount was paid for assets other than the application.

42/ This is consistent with Constellation's characterization of Bell Atlantic and E-Systems elsewhere in its amendment as "corporate parents." Constellation Amendment at 34.

transfers rarely occur without the knowledge of other stockholders and, in fact, stock transfer restrictions usually exist. Nor has Constellation established an unrelated business reason[43/] for the numerous stock changes that occurred, particularly the Bell Atlantic and E-Systems acquisitions. These transactions were effected solely to increase stock ownership in the applicant and were clearly not incidental to a larger business transaction.

Constellation has cited several cases for the proposition that a transfer is exempted if it is unrelated to the pending application. In these cases, the pending application was not the primary reason for the stock acquisition, and was incidental to a larger business transaction.[44/] While this may have been the case with the CTA Inc. acquisitions of Microsat and DSI, there is no evidence that the other stock transactions were unrelated to the applications. In fact, there is no discussion whatsoever about at least two transactions, i.e., the sale of David Wine's stock and the acquisition of Constellation's stock by PCSI.

In addition, in all of the cases cited by Constellation, a key factor was the lack of adverse impact on other pending applicants. In contrast here, a serious question exists as to whether all of the applicants can be accommodated, particularly if one or more of the applicants is deferred until January, 1996. Where other parties have actively prosecuted applications for more than four years and could be foreclosed from receiving a license, it would be inequitable to allow entirely new parties to step into Constellation's shoes and reap the benefits of its cut-off status.

43/ To MCHI's knowledge, Constellation has no significant line of business other than its Big LEO system.

44/ See, e.g., Hughes Communications, Inc., 59 Rad. Reg.2d (P & F) 502 (1985) (waiver of cut-off rules granted for pending mobile satellite service application where acquisition of application was incidental to larger transaction involving acquisition of Hughes Aircraft by General Motors; and no other applicant would be adversely affected.)

Aside from the transfer issue, Constellation's failure to notify the Commission and its concealment of the significant ownership changes that have taken place over the last three years raise serious character issues. The Commission regards violations of Rule 1.65 as a serious matter.[45/] Constellation offers no explanation for its negligence in failing to apprise the Commission of these material ownership changes. Constellation's failure to notice the changes is no excuse for its lack of candor (and hardly believable).

In sum, Constellation's request for exemption should be denied and its application dismissed for failure to comply with the Commission's cut-off rules. At a minimum, the application should be designated for hearing to resolve the substantial questions raised about the applicant's qualifications to be a Commission licensee in light of its Rule 1.65 violations and lack of candor.

B. Constellation's Financial Showing Is Defective

In its November 16, 1994 amendment, Constellation assumes that the system will be entirely funded by internal funds. Constellation projects that system costs will be $1.695 billion and operating costs for the first year will be $26.4 million. Constellation claims that it will rely on the current assets and operating income of its "corporate parents (Bell Atlantic and E-Systems)" to demonstrate its financial qualifications. Constellation Amendment at 34. Letters from these two companies are attached to the amendment. In addition, a letter from Telebras is also attached. None of these letters establishes Constellation's financial qualifications.

45/ See, e.g., WGUF, Inc., 36 Rad. Reg.2d (P & F) 1619 (1976); Folkways Broadcasting Co., Inc., 20 Rad. Reg. 2d (P & F) 528, 532 (1970); Sumiton Broadcasting Co., 17 Rad. Reg.2d (P & F) 1038 (1969). See also discussion supra at 5, 7, 15-17.

As a threshold matter, MCHI agrees with Constellation that an applicant may rely on internal funding by a strategic partner or shareholder, even a non-controlling shareholder, to the same extent that a company like Motorola may rely upon its own balance sheet as evidence of financial qualifications. In a 1988 domestic satellite proceeding, the Commission found the applicant National Exchange Satellite, Inc. financially qualified where it relied upon the current assets and operating income of its shareholder, Burlington Northern, Inc. National Exchange Satellite, Inc., 3 F.C.C. Rcd. 6992, 6992 (1988).

However, Constellation's showing is wholly deficient in meeting the requisite financial standard. The letters submitted by Constellation do not substantiate its claims of support by Bell Atlantic and E-Systems. E-Systems does not have sufficient current assets and operating income to cover the estimated construction, launch and first year operation costs for Constellation. Its current assets are only $750 million, which is far short of the required funds to cover the estimated $1.721 billion system construction, launch and operation costs. Moreover, E-Systems states only that it "intends to provide the necessary financial support for [the] project." [46/] This vague language does not commit that the company is prepared to expend the necessary funds to construct, launch, and operate the system and therefore fails to rise to the level of commitment required by the Commission.

The Bell Atlantic letter is equally defective. The letter refers to the company's "intent" to provide general financial support for the project without committing to the construction, launch and operation costs. However, even this intention is negated by the statement that any financial

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[46/] See Exhibit 3.

commitment would be subject to internal business approval procedures, including "approval by the Board of Directors."

Moreover, Constellation's application also does not address the legal hurdle presented by Bell Atlantic's inability, under the Modified Final Judgment, to invest in the company to the extent it will involve providing inter-LATA phone services.[47/] Given this legal impediment, the Bell Atlantic letter is without any effect or significance whatsoever in establishing Constellation's financial qualifications.

The Telebras letter indicates an intention to form a joint venture with Constellation and Bell Atlantic to own and operate a LEO communications system. There is no indication, however, that Telebras intends to fund the Constellation system. In fact, the trade press has reported otherwise. Constellation and Bell Atlantic are reportedly considering an investment in Brazil's Echo-8 system, a completely separate LEO system, that is being developed by Telebras.[48/] In any event, on its face, the letter does not constitute a financial commitment.

Based on these materials, a serious question exists as to whether Constellation has shown current ability to construct, launch, and operate the system for one year. Its application should

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47/ United States v. American Telephone & Telegraph Co. and Western Electric Company, 552 F. Supp 131, 227 (D.D.C. 1982), aff'd sub nom. Maryland v. United States, 460 U.S. 1001 (1983). As of December 22, 1994, the court had approved no exception to the line-of-business restrictions which would permit Bell Atlantic to provide inter-LATA service using the Constellation system.

48/ "Constellation Looking to Merge Brazil's Echo-8 System with Aries," Mobile Satellite News, October 20, 1994; "Brazil to Launch 8-Satellite LEO System for Equatorial Communications," Mobile Satellite News, August 25, 1994.

therefore be deferred until January, 1996 for a further financial showing (if the Commission decides to grant the requested exemption to the cut-off rules despite arguments to the contrary).

VI. TRW'S APPLICATION SHOULD BE DENIED

In its amendment, TRW provides a declaration by Ronald D. Sugar, Executive Vice President and Chief Financial Officer of TRW Inc. that the company intends to rely upon internal funds to meet the estimated $1.844 billion in system construction, launch, and operation costs. The TRW Amendment is at significant variance from its own public announcements and mandatory securities disclosures, raising a significant issue as to whether the applicant has been forthright with the Commission with respect to the true facts concerning its financial qualifications and commitments. The Commission should defer action on TRW's Big LEO application until it can determine the true facts as to TRW's qualifications.

TRW's statements outside of its Commission filings contradict the representation in the TRW Amendment that it will fund the Odyssey system internally. On November 15, 1994, the very day before the TRW Amendment was filed with the Commission, TRW announced that it had negotiated a joint venture agreement with Teleglobe, Inc. "to build and operate the TRW-developed Odyssey personal communications satellite system." See TRW Press Release at 1 (Nov. 15, 1994) (Exhibit 8). TRW states:

> Together the two companies will fund 15 per cent of the equity in the venture . . . . They envisage that Odyssey will require about US$2 billion in financing. The majority of this will be equity and the balance a combination of debt and vendor financing.[49/]

[49/] TRW Press Release at 2.

Fifteen percent of the stated $2 billion financing requirement represents a maximum $300 million TRW internal commitment, assuming that Teleglobe contributes nothing. The TRW press release clearly indicates that the remaining 85 per cent of the financing requirement will be provided by equity contributions from undisclosed strategic partners, undisclosed vendor financing, and undisclosed debt financing. Id.

TRW's SEC filings confirm that the company has not made a true commitment to fund Odyssey internally. As discussed above, the Securities Act of 1933 requires a publicly-traded company such as TRW Inc. to make disclosure of material commitments and contingent liabilities affecting the company's liquidity and profitability. None of TRW's 1994 SEC filings mentions a contingent liability or commitment to fund internally a $1.8 billion satellite system.[50/] Even for a company the size of TRW Inc., a $1.8 billion contingent liability must materially affect its liquidity and profitability. Given the severe penalties for non-disclosure (see discussion above), the inescapable conclusion from examining TRW's required SEC disclosures and public announcements is that factually there is no bona fide TRW commitment fully to fund Odyssey from internal funds.

In scrutinizing the factual underpinning of applicants' financial "commitments," as it must in evaluating the competing applications, the Commission cannot raise its long glass to Lord Nelson's blind eye and ignore an applicant's public announcements and mandatory statutory disclosures. To do so would elevate form over substance, allowing an applicant merely to invoke a

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[50/] SEC Form 10-K for the period ending March 31, 1994; SEC Form 10-Q for the periods ending June 30, 1994 and September 30, 1994. TRW's SEC Form 10-K for the period ending March 31, 1994 includes by reference significant portions of TRW's 1993 Annual Report. None of these documents mentions the Odyssey system or discloses a possible $1.8 billion contingent liability to fund the system out of internal funds.

ritual incantation parroting the language of the Commission's regulations with no relation to financial reality. This also creates an inequitable double standard for public companies that are intending to rely upon external funding and should be held to the same standard of proof as other companies demonstrating financial qualifications under Rule 25.140(d)(2). To hold otherwise is arbitrary and capricious under well-established law. See discussion supra at 7-8.

TRW's inconsistent statements raise a substantial and material question of fact requiring the Commission, at a minimum, under Sections 309(d)(2) and 309(e) of the Communications Act of 1934, as amended, to designate TRW's application for hearing to determine whether TRW is qualified to be a Commission licensee given (1) the possible misrepresentations which have occurred as to TRW's financial plans; and (2) its failure to submit evidence of fully negotiated, irrevocable commitments for the external funding on which it apparently intends to rely for the majority of project costs.[51/]

VII. CONCLUSION

For the foregoing reasons, the Commission should deny, designate for hearing or defer, as appropriate and discussed above, the applications of Constellation, LQP, Motorola and TRW. None of the four applicants has demonstrated that sufficient funds have been commmitted to meet the satellite system construction, launch and first-year operation costs as required by Commission rules. Not only are the applicants' management letters inadequate, but as demonstrated

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[51/] In addition, a separate factual issue is raised by TRW's interest in two applications filed in this processing window. At the time TRW's application was filed, the company had an interest in Constellation through its stockholding in DSI. This interest in two of the Big LEO applicants, and its impact on the applicants' legal qualifications, has never been addressed.

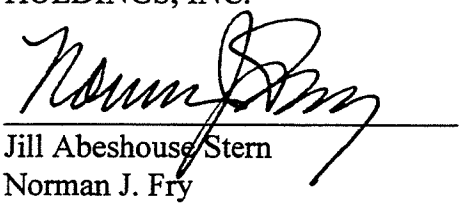
herein, although purporting to rely upon internal funds, the three publicly-owned applicants have made clear, in SEC statements and other public fora, that they have no intention whatsoever of funding their respective systems from internal funds and they have made no provision for doing so; to the contrary, they have shown every intent and taken action to raise money from outside sources. In addition to the lack of candor this entails, each of the applicants has failed to provide evidence in the record of the fully-negotiated commitment of external funding, required under Rule 25.140(d)(2), where an applicant is relying on outside funding (as is the case here). Their applications are therefore defective and should be denied or deferred.

In addition, substantial undisclosed ownership changes in Constellation, as admitted in its waiver request, require denial of its application. The ownership status of Motorola and LQP, as discussed above, require denial of these applications, or, at a minimum, that they be designated for hearing.

In light of the contradictory evidence, the lack of candor and the possible misrepresentations that have been made to the Commission, the Commission must, at a minimum, designate the applications for hearing to resolve the substantial and material issues of fact relating to the parties' financial and legal qualifications that have been raised in this petition.

Respectfully submitted,

MOBILE COMMUNICATIONS
HOLDINGS, INC.

By: 

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Its Attorneys

December 22, 1994

City of Washington)
) ss:
District of Columbia)

AFFIDAVIT

I, David Castiel, being duly sworn hereby declare and state as follows:

1. I am Chairman and Chief Executive Officer of Mobile Communications Holdings, Inc.

2. I have reviewed the foregoing "Consolidated Petition to Deny."

3. All of the facts contained in the foregoing document, except those as to which official notice may be taken, are true and correct to the best of my knowledge, information and belief.

David Castiel

)
District of Columbia) ss:
)

I, Gwendolyn T. Davis, a Notary Public in and for the District of Columbia, do hereby state that on this 21st day of December, 1994, David Castiel personally appeared before me and attested that the above information is true and correct to the best of his knowledge and belief.

Notary Public

My Commission Expires: GWENDOLYN RENEE DAVIS
NOTARY PUBLIC, WASHINGTON, D.C.
MY COMMISSION EXPIRES: MARCH 14, 1999

CERTIFICATE OF SERVICE

I, Felecia G. DeLoatch, do hereby certify that a true and correct copy of the foregoing "Consolidated Petition to Deny" was sent by first-class mail, postage prepaid, or hand-delivered, on this 22nd day of December, 1994, to the following persons:

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* Commissioner James H. Quello
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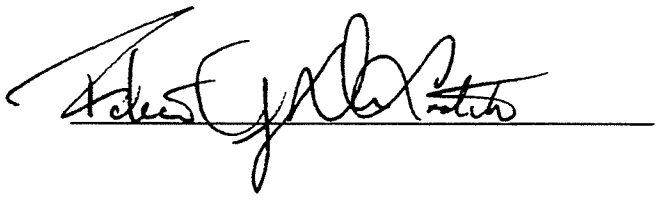

* Hand Delivered

70592

IN THE UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

MOBILE COMMUNICATIONS HOLDINGS, INC. Petitioner,	)	
v.	)	No. 94-1695
FEDERAL COMMUNICATIONS COMMISSION and THE UNITED STATES OF AMERICA Respondents.	)	

OPPOSITION OF THE FEDERAL COMMUNICATIONS COMMISSION TO PETITIONER'S EMERGENCY MOTION FOR A STAY PENDING REVIEW

The Federal Communications Commission hereby opposes petitioner Mobile Communications Holdings, Inc.'s ("MCHI") last-minute, emergency motion for a stay. The exercise of this Court's equitable powers to derail an important FCC licensing proceeding is not warranted in this case. MCHI never asserted before the Commission that it was a small business entity, and it cannot now claim either that the Commission should have accorded it special benefits for being one or that it is in imminent danger of losing such benefits. MCHI's motion boils down to a simple unwillingness to follow well-established, generally applicable financial qualification rules that are unrelated to the auction procedure about which MCHI complains. For these and the other reasons discussed below, MCHI has failed to satisfy this Court's strict requirements for the extraordinary remedy of a stay pending review, e.g., Washington Metropolitan Area Transit Commission v. Holiday Tours, Inc., 559 F.2d 841, 843 (D.C. Cir. 1977), and the Court should deny the motion.

C. The Commission's Rules For Financial Qualification Are Plainly Reasonable.

MCHI complains that the Commission's rules for financial eligibility are arbitrary and capricious because they allow companies to show that their assets are sufficient to cover LEO expenses, which "provides no assurance that a company will proceed with system implementation." Mot. at 15. Again, MCHI's argument is flat wrong. The Commission has gone to great lengths

to require that all applicants make an irrevocable commitment to fund their proposed systems. Applicants relying on internal financing must "commit that ... [they are] prepared to spend the necessary funds" to construct the system. Final Order p.32. That is exactly equivalent to the irrevocable financing required for companies who require external financing to fund a satellite system. The Commission explained the reasoning for its financial qualifications test at great length, and MCHI has not come close to showing that it will prove that the test is arbitrary and capricious.

this Court has completed its review. That is antithetical to the public interest.[8]

CONCLUSION

For the foregoing reasons, the Court should deny MCHI's motion for a stay.

Respectfully Submitted,

Daniel M. Armstrong
Associate General Counsel

John E. Ingle
Deputy Associate General Counsel

Joel Marcus
Counsel

Federal Communications Commission
Washington, D.C. 20554
(202) 418-1740

November 14, 1994

[8] MCHI's asserted public interest in preserving opportunities for small business is specious in light of the discussion above demonstrating that MCHI has not claimed before now to be a small business and that the small business rules apply only to auctions and not to the demonstration of financial qualifications.

(f) In any case where a prospectus consists of a radio or television broadcast, copies thereof shall be filed with the Commission under such rules and regulations as it shall prescribe. The Commission may by rules and regulations require the filing with it of forms and prospectuses used in connection with the sale of securities registered under this title.

CIVIL LIABILITIES ON ACCOUNT OF FALSE REGISTRATION STATEMENT

SECTION 11. (a) In case any part of the registration statement, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring such security (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue:

(1) Every person who signed the registration statement;

(2) Every person who was a director of (or person performing similar functions) or partner in, the issuer at the time of the filing of the part of the registration statement with respect to which his liability is asserted;

(3) Every person who, with his consent, is named in the registration statement as being or about to become a director, person performing similar functions, or partner;

(4) Every accountant, engineer, or appraiser, or any person whose profession gives authority to a statement made by him, who has with his consent been named as having prepared or certified any part of the registration statement, or as having prepared or certified any report or valuation which is used in connection with the registration statement, with respect to the statement in such registration statement, report, or valuation, which purports to have been prepared or certified by him;

(5) Every underwriter with respect to such security.

If such person acquired the security after the issuer has made generally available to its security-holders an earning statement covering a period of at least 12 months beginning after the effective date of the registration statement, then the right of recovery under this subsection shall be conditioned on proof that such person acquired the security relying on such untrue statement in the registration statement or relying upon the registration statement and not knowing of such omission, but such reliance may be established without proof of the reading of the registration statement by such person.

(b) Notwithstanding the provisions of subsection (a) no person, other than the issuer, shall be liable as provided therein who shall sustain the burden of proof:

(1) That before the effective date of the part of the registration statement with respect to which his liability is asserted: (A) he had resigned from or had taken such steps as are permitted by law to resign from, or ceased or refused to act in, every office, capacity, or relationship in which he was described in the registration statement as acting or agreeing to act, and (B) he had advised the Commission and the issuer in writing, that he had taken such action and that he would not be responsible for such part of the registration statement; or

(2) That if such part of the registration statement became effective without his knowledge, upon becoming aware of such fact he forthwith acted and advised the Commission, in accordance with paragraph (1), and, in addition, gave reasonable public notice that such part of the registration statement had become effective without his knowledge; or

(3) That: (A) as regards any part of the registration statement not purporting to be made on the authority of an expert, and not purporting to be a copy of or extract from a report or valuation of an expert and not purporting to be made on the authority of a public official document or statement, he had, after reasonable investigation, reasonable ground to believe and

did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and (B) as regards any part of the registration statement purporting to be made upon his authority as an expert or purporting to be a copy of or extract from a report or valuation of himself as an expert: (i) he had, after reasonable investigation, reasonable ground to believe and did believe, at the time such part of the registration statement became effective, that the statements therein were true and that there was no omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or (ii) such part of the registration statement did not fairly represent his statement as an expert or was not a fair copy of or extract from his report or valuation as an expert; and (C) as regards any part of the registration statement purporting to be made on the authority of an expert (other than himself) or purporting to be a copy of or extract from a report or valuation of an expert (other than himself), he had no reasonable ground to believe, and did not believe, at the time such part of the registration statement became effective, that the statements therein were untrue or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of the registration statement did not fairly represent the statement of the expert or was not a fair copy of or extract from the report or valuation of the expert; and (D) as regards any part of the registration statement purporting to be a statement made by an official person or purporting to be a copy of or extract from a public official document, he had no reasonable ground to believe and did not believe, at the time such part of the registration statement became effective, that the statements therein were untrue, or that there was an omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that such part of the registration statement did not fairly represent the statement made by the official person or was not a fair copy of or extract from the public official document.

(c) In determining, for the purpose of paragraph (3) of subsection (b) of this section, what constitutes reasonable investigation and reasonable ground for belief, the standard of reasonableness shall be that required of a prudent man in the management of his own property.

(d) If any person becomes an underwriter with respect to the security after the part of the registration statement with respect to which his liability is asserted has become effective, then for the purposes of paragraph (3) of subsection (b) of this section such part of the registration statement shall be considered as having become effective with respect to such person as of the time when he became an underwriter.

(e) The suit authorized under subsection (a) may be to recover such damages as shall represent the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and: (1) the value thereof as of the time such suit was brought, or (2) the price at which such security shall have been disposed of in the market before suit, or (3) the price at which such security shall have been disposed of after suit but before judgment if such damages shall be less than the damages representing the difference between the amount paid for the security (not exceeding the price at which the security was offered to the public) and the value thereof as of the time such suit was brought: *provided*, that if the defendant proves that any portion or all of such damages represents other than the depreciation in value of such security resulting from such part of the registration statement, with respect to which his liability is asserted, not being true or omitting to state a material fact required to be stated therein or necessary to make the statements therein not misleading, such portion of or all such damages shall not be recoverable. In no event shall any underwriter (unless such underwriter shall have knowingly received from the issuer for acting as an underwriter some benefit, directly or indirectly, in which all other underwriters similarly situated did not share in proportion to their respective interests in the underwriting) be liable in any suit or as a consequence of suits authorized under subsection (a) for damages in excess of the total price at which the securities underwritten by him and distributed to the public were offered to the public. In any suit under this or any other section of this title the court may, in its discretion, require an

MOTOROLA INC.

November 7, 1994

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W. (Room 222)
Washington, D.C. 20554

RE: File Nos. 9-DSS-P-91 (87)
CSS-91-010

Dear Mr. Caton:

This will confirm that Motorola Satellite Communications, Inc. is a 100 percent-owned subsidiary of Motorola Inc. and that the parent corporation is fully committed to meeting the construction costs and operating expenses of the subsidiary in connection with its proposed IRIDIUM System. The undersigned hereby certifies that, as evidenced by the attached excerpts from the 1993 Annual Report and 1994 Third Quarter Report, the parent corporation's current assets are sufficient to meet the costs of construction and launch of the entire constellation as well as the operating expenses for one year after launch of the first satellite.

Carl F. Koenemann

Carl F. Koenemann
Executive Vice President and
Chief Financial Officer

Corporate Offices
1303 E. Algonquin Road, Schaumburg, IL 60196-1065 • (708) 576-5000

LORAL
Corporation

600 Third Avenue
New York, NY 10016
(212) 697-1105
Telex: 644018

Michael B. Targoff
Senior Vice President

November 14, 1994

Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Application of Loral/Qualcomm Partnership, L.P. for Authority to Construct, Launch and Operate the Globalstar Satellite System

Dear Sir/Madam:

Reference is made to the application of Loral/Qualcomm Partnership, L.P. ("LQP") for authorization to construct, launch and operate the Globalstar satellite system, and the amendment thereto to be filed by November 16, 1994.

Loral Corporation is aware of the obligation that LQP has undertaken and, absent material changes in circumstances, is prepared to expend the necessary funds, or take all reasonable steps to cause LQP to raise and expend the necessary funds, to construct and launch the 56 satellites, including 8 in-orbit spares, and to operate the satellite system for one year after launch of the first satellite in the constellation.

Sincerely,

MBT/pr

AFFIDAVIT

State of New York :
: ss.
County of New York :

MICHAEL B TARGOFF, being duly sworn, deposes and states that he is the SR VICE PRESIDENT + SECRETARY of Loral Corporation, that the foregoing Attachment D to this Amendment is a copy of the Financial Statements from Loral Corporation's Form 10-K for the period ended March 31, 1994, filed with the Securities and Exchange Commission, and that said information contained in Attachment D is true and correct. The Consolidated Balance Sheets, at page F-4, show that as of March 31, 1994, Loral Corporation had total current assets of over $1.8 billion. The Consolidated Statements of Operations, at page F-3, show operating income of approximately $400 million. The $2.2 billion in current assets and operating income is more than sufficient to demonstrate the financial ability of the Company to cover the costs of construction and launch of the 56 satellites in Globalstar's constellation, including 8 in-orbit spares, and operation of the system for one year after the launch of the first satellite. The specific source of the funds to be expended to finance these costs would depend upon the Company's financial position and market conditions at the time that the funds are needed.

Name: MICHAEL B TARGOFF
Title: SR VICE PRESIDENT + SECRETARY

Subscribed and sworn to
before me this 11th day
of November, 1994.

Notary Public

JOANNE KIRSON
Notary Public, State of New York
No. 01KI5024277
Qualified in New York County
Certificate filed in New York County
Commission Expires March 7, 1996

Bell Atlantic Corporation
One Bell Atlantic Plaza
1310 N. Courth House Road
Arlington, VA 22201
(703) 351-4504
FAX (703) 351-4557

Brian D. Oliver
Vice President
Corporate Development

November 16, 1994

Mr. Bruce D. Kraselsky, Chairman
Constellation Communications, Inc.
10530 Rosehaven Street, Suite 410
Fairfax, Virginia 22030

Dear Mr. Kraselsky:

The attached financial statements show Bell Atlantic Corporation (BAC) assets of $29.544 billion and stockholders' equity of $8.224 billion. In addition, BAC has credit lines of $2.1 billion. Annual funds from operations exceeded $4.2 billion for 1993. These available funds are well in excess of the amount which we understand is necessary to construct, launch and operate for one year the CCI LEO satellite system.

BAC has completed an initial review of CCI's FCC application and its business plans for satellite system construction and operation. It is BAC's intent to provide financial support for that satellite project subject to normal business reviews of market conditions and the project's progress to assure acceptable levels of risk and return.

Actual BAC financial commitments would be subject to negotiation of satisfactory agreements; and our customary internal business approval procedures, including, if applicable, approval by the Board of Directors.

Sincerely,

Vice President Corporate Development

E-SYSTEMS

Senior Vice President

November 11, 1994

64000/4-155

Mr. Bruce D. Kraselsky, Chairman
Constellation Communications, Inc.
10530 Rosehaven Street, Suite 410
Fairfax, VA 22030

Dear Mr. Kraselsky:

E-Systems, Inc. is an equity owner in Constellation Communications, Inc. ("CCI"). The enclosed financial statements show E-Systems current assets of $750 million and stockholders' equity of $770 million. In addition, E-Systems has credit lines of $350 million. Annual operating income exceeded $180 million for 1993.

E-Systems has reviewed CCI's FCC application and its business plans for satellite system construction and operation. E-Systems intends to provide the necessary financial support for that satellite project subject to normal business reviews of market conditions.

I understand that this letter is to be provided to the Federal Communications Commission to demonstrate CCI's financial qualifications.

Sincerely,

Peter A. Marino

/lc

Enclosure

CORPORATE OFFICES
POST OFFICE BOX 660248 • DALLAS, TEXAS 75266-0248 • (214) 661-1000

CT.4100/088/94

Mr. Bruce Kraselsky, Chairman
Constellation Communications, Inc.
10530 Rosehaven Street, Suite 410
Fairfax, Virginia 22030
USA

Brasília, November 10, 1994

Dear Mr. Kraselsky

Telecomunicações Brasileiras S.A. - TELEBRÁS, through its 28 operating companies, is the primary supplier of public telecommunications services in Brazil. It owns more than 90 percent of all public exchanges and the nationwide network of local telephone lines. Through one of its subsidiaries TELEBRÁS owns and operates 100 percent of the public interstate and international telephone transmission facilities in Brazil. TELEBRÁS also provides telephone-related services such as telex and telegraph transmission, cellular mobile telephone service and videotext and data communications. TELEBRÁS is the third largest company in Brazil based on total assets of more than US$ 21 billion at December 31, 1993.

TELEBRÁS has entered into a Memorandum of Understanding with Constellation Communications, Inc. - CCI and Bell Atlantic Corporation, with the intent of creating an international joint venture to own and operate a LEO communications system. TELEBRÁS intends to be a major shareholder in the joint venture.

I understand that this letter is to be provided to the Federal Communications Commission on 16 November 1994 as part of CCI's amended application for a license to operate this LEO system in the United States.

Sincerely,

Adyr da Silva
President and CEO

Declaration of Ronald D. Sugar

I, Ronald D. Sugar, hereby declare under penalty of perjury of the laws of the United States and the State of Ohio, that:

1. I am Executive Vice President and Chief Financial Officer of TRW Inc.

2. The foregoing is a true and correct copy of the consolidated financial statement of TRW Inc. for the period ended December 31, 1993, including the report of Ernst & Young, the Company's independent certified public accountants.

3. TRW Inc. has sufficient current assets and operating income to fund the construction, launch and first year operating costs of its proposed satellite system.

4. Absent a material change in circumstances, TRW Inc. is committed to expend the funds necessary to construct, launch and operate the Odyssey system.

Ronald D. Sugar
Executive Vice President and
Chief Financial Officer
TRW Inc.

Date: November 9, 1994

*** A12 ***

EXHIBIT 99.2

IRIDIUM -TM-/-SM-

SPACE SYSTEM

CONTRACT

Between

IRIDIUM, INC.

and

MOTOROLA, INC.

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TABLE OF CONTENTS

IRIDIUM SPACE SYSTEM CONTRACT

THIS CONTRACT is hereby made between Motorola, Inc. (hereinafter called "Seller") a corporation organized under the laws of the State of Delaware, U.S.A., and Iridium, Inc. (hereinafter called "Buyer"), a corporation organized under the laws of the State of Delaware, U.S.A. The Effective Date of this Contract is the date specified in ARTICLE 38, EFFECTIVE DATE.

RECITALS.

A. On June 26, 1990, Motorola formally announced that it intended to develop a global communication system that would allow communication via portable radio telephones -- whether on land, at sea or in the air. The new system, known as IRIDIUM, has at the heart of its operation, a Constellation of nominally sixty-six (66) satellites in low-earth orbit working together as a digitally-switched communications network in space. The system is intended to handle both voice and data. One or more ground-based spacecraft control facilities will maintain the satellite Constellation and overall operation of the system.

B. A key component of the IRIDIUM Communications System will be a network of "gateway" surface facilities in various countries that will link the satellites with the public-switched telephone network. These gateways will also store customer billing information and will keep track of each user's location.

C. Other key components to the system are the Subscriber Units (ISUs) and Mobile Exchange Units (MXUs).

D. On June 14, 1991 Motorola incorporated IRIDIUM, Inc. to become, among other things, the owner of the Space System portion of the IRIDIUM Communications System.

E. This Contract is intended to function as the mechanism whereby Motorola will sell to Iridium, Inc. the Space System portion of the IRIDIUM Communications System.

F. Separate agreements between Motorola and other appropriate parties will provide for the production and sale of the Gateways, Subscriber Units, MXUs, and other components of the IRIDIUM Communications System. Motorola intends to develop or have others develop these components by the time the system is operational. A separate agreement between Iridium, Inc. and Motorola, Inc. shall provide for the operation and maintenance of the Space System upon completion of this Contract.

ARTICLE 1. DEFINITIONS.

Capitalized terms used and not otherwise defined herein shall have the following meanings:

A. CONSTELLATION OR SPACE SEGMENT: That part of the complete IRIDIUM Communications System consisting solely of the space vehicles (also referred to as spacecrafts or satellites) in low-earth orbit and providing a 98.5% global coverage as specified in TABLE 3.7.1 of the Statement of Work. It does not include the System Control Segment, Gateways, ISUs, MXUs or other components necessary for complete utilization of the IRIDIUM Communications System.

B. GATEWAY: The Gateways encompass the ground-based facilities constructed in accordance with the Gateway Interface Specification supporting the subscriber billing/information functions in addition to call processing operations and the connection of the IRIDIUM subscriber communications through the Public Switched Telephone Network (PSTN).

C. GATEWAY INTERFACE SPECIFICATION: The functional specification prepared by Seller that defines the radio frequency interface, logical and physical protocols, and functionality necessary for Gateway interoperability with

the Space System. It does not include the Voice Encoding Algorithm necessary for complete interoperability with the IRIDIUM Communications System.

D. INITIAL OPERATING PERIOD: The Initial Operating Period shall commence immediately after arrival of the first space vehicle at its designated orbital position, and conclude when Seller demonstrates to Buyer completion of the Space System, (i.e. completion of Milestone 47).

E. IRIDIUM COMMUNICATIONS SYSTEM (OR SIMPLY "IRIDIUM"): The complete integrated satellite-based digitally-switched communication system. This term refers collectively to the Space Segment, System Control Segment, Gateways and Subscriber Unit Segment.

F. MOBILE EXCHANGE UNITS (MXUs): The equipment designed to interconnect multiple voice or data channels to the IRIDIUM Communications System using the subscriber unit radio frequency interface to the Space System.

G. MOBILE EXCHANGE UNIT (MXU) Interface Specification: The functional specification prepared by Seller that defines the radio frequency interface, logical and physical protocols necessary for Mobile Exchange Unit (MXU) interoperability with the Space System. It does not include the Voice Encoding Algorithm necessary for complete interoperability with the IRIDIUM Communications System.

H. PAGING UNIT INTERFACE SPECIFICATION: The functional specification prepared by Seller that defines the radio frequency interface, logical and physical protocols and paging unit functionality necessary for paging unit interoperability with the Space System.

I. REVENUE PRODUCING COMMUNICATION MESSAGE: As used within this Contract, this phrase means: A message transmitted other than by Seller through the Space System or any portion thereof entitling Buyer to revenue.

J. SATELLITE COMMUNICATION LINK INTERFACE SPECIFICATION: The functional specification prepared by Seller that defines the radio frequency interface, logical and physical protocols and satellite functionality necessary for satellite-to-satellite and satellite-to-system control segment interoperability.

K. SATELLITE SUBSCRIBER UNIT (VOICE) INTERFACE SPECIFICATION: The functional specification prepared by Seller that defines the radio frequency interface, logical, and physical protocols necessary for subscriber unit (voice, data, facsimile) interoperability with the Space System. It does not include the Voice Encoding Algorithm necessary for complete interoperability with the IRIDIUM Communication System.

L. SPACE SYSTEM OPERATIONS PLAN: Documentation prepared by Seller which details the operation of the Space System and the actions required to retain its performance characteristics at the levels provided in the Statement of Work. It also describes the operations of the entire IRIDIUM Communications System.

M. SPACE SYSTEM: This term refers to the integrated combination of the Space Segment and System Control Segment.

N. SPACE VEHICLES: The terms space vehicle, satellite, or spacecraft all have the same meaning throughout this Contract and refer to the individual or multiple satellites of the Constellation.

O. SUBSCRIBER UNIT SEGMENT: The Subscriber Unit Segment refers collectively to the individual equipment units to be used by subscribers and capable of initiating and receiving communications through the IRIDIUM Communications System. These may include for example hand-held portable units, aircraft units, marine units, portable office units, and pay phone units. As used herein, this term also includes paging units.

P. SYSTEM CONTROL SEGMENT (SCS): This term refers to the various ground-based sites, equipment, and facilities to manage and control the individual space vehicles of the Constellation, and the communication

links of the IRIDIUM Communications System in accordance with the performance levels specified in the Statement of Work, Exhibit B. The System Control Segment is composed of a Master Control Facility (MCF), and Backup Control Facility (BCF), and associated Telemetry, Tracking and Command Facilities (TTAC's).

Q. VOICE ENCODING ALGORITHM: As this term is used in this Contract it refers to the algorithm used to encode and decode analog voice to and from compressed digital speech.

ARTICLE 2. DESCRIPTION OF WORK.

A. Seller shall design, develop, produce, and deliver in accordance with the provisions of this Contract, (including all Exhibits) the integrated Space System of the IRIDIUM Communication System consisting of the Constellation and the System Control Segment. Seller shall also deliver the Satellite Subscriber Unit (Voice) Interface Specification and the Space System Operations Plan. The Satellite Subscriber Unit (Voice) Interface Specification will be made available by Seller and Buyer to the public after Milestone Number 37 is completed.

B. Seller shall deliver the Gateway Interface Specification. Seller agrees to develop and sell Gateways to third parties and to license to responsible and competent suppliers acceptable to Seller, the rights to use the information in the Gateway Interface Specification and the Voice Encoding Algorithm to the extent essential to manufacture and sell IRIDIUM Gateways, all pursuant to reasonable terms and conditions mutually acceptable to Seller and such third parties. Seller also agrees to license to responsible and competent suppliers named by Buyer, the right to use the information in the Gateway Interface Specification and Voice Encoding Algorithm to the extent essential to manufacture and sell IRIDIUM Gateways solely for the next generation IRIDIUM Communication System, pursuant to reasonable terms and conditions mutually acceptable to Seller and such suppliers.

C. Seller shall deliver, the Paging Unit Interface Specification. Seller agrees to develop and sell paging units to third parties and to license to responsible and competent suppliers acceptable to Seller the rights to use the information in the Paging Unit Interface Specification to the extent essential to manufacture and sell IRIDIUM Paging Units, all pursuant to reasonable terms and conditions mutually acceptable to Seller and such third parties.

D. Seller shall deliver, the Mobile Exchange Unit (MXU) Interface Specification. Seller agrees to develop and sell MXUs to third parties and to license to responsible and competent suppliers acceptable to Seller the rights to use the information in the MXU Interface Specification and the Voice Encoding Algorithm to the extent essential to manufacture and sell IRIDIUM MXU's, all pursuant to reasonable terms and conditions mutually acceptable to Seller and such third parties.

E. Seller agrees to develop and sell Subscriber Units (Voice) to third parties and to license the rights to manufacture, sell and use the Voice Encoding Algorithm to responsible and competent suppliers acceptable to Seller to the extent essential to manufacture and sell IRIDIUM Subscriber Units (Voice) all pursuant to reasonable terms and conditions mutually acceptable to Seller and such suppliers.

F. Seller shall deliver the Satellite Communications Link Interface Specification.

G. Buyer understands that the Interface Specifications for the Gateways, Paging Unit, Mobile Exchange Unit and the Satellite Communications Link are Seller's proprietary information to be used only as permitted under ARTICLE 27, DISCLOSURE AND USE OF INFORMATION BY THE PARTIES, and may not be disclosed without Seller's permission except to those third parties licensed by Seller pursuant to this ARTICLE 2, or, upon completion of this Contract, to those third parties selected by Buyer for the purposes of obtaining a proposal for the delivery of IRIDIUM Space System equipment or services to Buyer after the five year period of the O&M Contract

expires, provided, Buyer also permits Motorola the opportunity to submit a proposal for such equipment or services.

ARTICLE 3. MILESTONE PERFORMANCE SCHEDULE.

A. Seller shall perform all work and deliver the Constellation, System Control Segment, Space System Operations Plan, and the Satellite Subscriber Unit (Voice) Interface Specification pursuant to the milestone schedule in Exhibit A hereto.

B. Seller shall complete the Gateway, Paging Unit, MXU, and Satellite Communication Link Interface Specifications under Paragraphs B, C, D and F of ARTICLE 2, DESCRIPTION OF WORK, and make them available to Buyer at Seller's Chandler, Arizona facility on or before the scheduled completion date of the final milestone specified in Exhibit A hereto.

C. The milestone schedule in Exhibit A is subject to adjustment as provided in ARTICLE 11, EXCUSABLE DELAYS.

ARTICLE 4. PRICE.

A. For performance of this Contract, Buyer shall pay Seller the $275,000,000 down payment and the applicable fixed milestone prices (the "$ Amount Due" column) specified in Exhibit A subject to adjustments in accordance with the provisions of this Contract. The prices are stated in United States Dollars and cumulatively total $3,400,000,000. See also ARTICLE 17, TAXES.

B. The final milestone price of this Contract totals $100 million and is payable in full only if Seller completes the final milestone or is deemed to have done so under ARTICLE 8, ACCEPTANCE CRITERIA, on or before its final scheduled completion date except as may be extended pursuant to other provisions of this Contract. Subject to ARTICLE 7, OPERATION OF SYSTEM CONTROL SEGMENT FACILITIES and ARTICLE 9, TITLE TRANSFER and ARTICLE 11, EXCUSABLE

DELAYS in the event Seller fails to complete the final milestone of this Contract on or before its final scheduled completion date, the $100 million final milestone payment hereunder shall be reduced by $8,333,333 for each complete thirty (30) day period following its final scheduled completion date that such milestone is not completed. BUYER AGREES THAT SUCH PRICE REDUCTION SHALL BE ITS EXCLUSIVE REMEDY FOR SUCH DELAYS EXCEPT THAT A DELAY IN COMPLETING SUCH FINAL MILESTONE IN EXCESS OF TWELVE (12) MONTHS BEYOND ITS FINAL SCHEDULED COMPLETION DATE AS MAY BE ADJUSTED UNDER THIS CONTRACT, MAY PERMIT BUYER TO DECLARE SELLER IN DEFAULT UNDER ARTICLE 23 HEREIN.

C. The milestone prices set forth in Exhibit A are subject to annual retroactive adjustments for inflation based upon changes to the Gross National Product implicit price deflator index as reported by the United States Department of Commerce, Bureau of Economic Analysis on or after December of each calendar year (the "current index"). The Gross National Product implicit price deflator index value of 1.388 shall be used as the baseline index against which all such annually reported index values are compared. In the event the difference between the current index value for the year then being considered, and the baseline index value of 1.388 exceeds five percent (5%) per year, then the milestones prices for those milestones scheduled to have been completed during the year then being considered as provided by Exhibit A, shall be increased by the difference (expressed as a percentage) above the 4% annual inflation already included in the milestone prices. This calculation is shown by formula 1 below. In the event the difference between the current index value for the year then being considered, and the baseline index value is less than three percent (3%) per year, then the milestone prices for those milestones scheduled to have been completed during the year then being considered as provided by Exhibit A, shall be reduced by the difference (expressed as a percentage) below the 4% annual inflation included in the milestone prices. This calculation is shown by formula 2 below.

Formula 1: Percentage Increase = $\frac{(A \text{ DIVIDED BY } 1.388) - B}{B}$

Formula 2: Percentage Decrease = $\frac{B - (A \text{ DIVIDED BY } 1.388)}{B}$

A = The current index value for the year then being considered

B = For adjustments to milestones scheduled to be completed in 1992 this number is 1.04 (for 1993 it is 1.082; for 1994 it is 1.125; for 1995 it is 1.170; for 1996 it is 1.217; for 1997 it is 1.265; for subsequent years continue to multiply the prior year's number by 1.04 per year).

For Example: If the index value reported in 1997 is 1.969, the prices for milestones 30 through 39 shall be increased by 12.1%. This percentage increase is computed as follows: 1.969 divided by 1.388 equals 1.419 ; 1.419 minus 1.265 equals .154; .154 divided by 1.265 times 100 equals 12.1%.

ARTICLE 5. PAYMENT.

A. The down payment referred to in ARTICLE 4, PRICE, shall be paid by Buyer to Seller in three increments in the amounts and on or before the dated specified by Exhibit A and without the necessity of any invoice being submitted by Seller. The milestone prices referred to in ARTICLE 4, PRICE, shall be paid by Buyer to Seller upon completion of each milestone by Seller as provided in the Statement of Work, Exhibit B. The milestone prices specified in Exhibit A shall in each case be paid by Buyer to Seller within thirty (30) calendar days following completion of each milestone and receipt of Seller's invoice for these payments. Seller's invoice shall be accompanied by a certification by Seller that such milestone has been completed in accordance with this Contract. Payment to Seller shall be made by cable/wire transfer to a banking institution as Seller designates or by such other means as Seller may designate from time to time.

B. In the event Seller completes a specific milestone prior to the scheduled completion date in Exhibit A (as such dates may be adjusted pursuant to the terms of this Contract), Buyer shall not be obligated to make the payment associated with such milestone until such scheduled completion date.

C. In the event Seller fails to complete any milestone on or before the scheduled completion date shown in Exhibit A (as such dates may be adjusted pursuant to the terms of this Contract), Buyer shall be relieved of its obligation to pay the applicable amount specified for such milestone until such time as Seller completes or is deemed to have completed such milestone. THIS SHALL CONSTITUTE BUYER'S EXCLUSIVE RIGHT AND REMEDY FOR SELLER'S FAILURE TO COMPLETE ANY OR ALL SUCH MILESTONES IN ACCORDANCE WITH THE SCHEDULE SHOWN IN EXHIBIT A (AS SUCH DATES MAY BE ADJUSTED PURSUANT TO THE TERMS OF THIS CONTRACT); PROVIDED, HOWEVER, THAT IF COMPLETION OF THE FINAL MILESTONE IS DELAYED, BUYER SHALL HAVE THE ADDITIONAL RIGHTS AND REMEDIES PROVIDED BY PARAGRAPH B OF ARTICLE 4, PRICE. SELLER'S FAILURE TO TIMELY COMPLETE ANY MILESTONE SHALL NOT RELIEVE BUYER FROM ITS OBLIGATION TO PAY FOR OTHER MILESTONES AS THEY ARE COMPLETED; PROVIDED, HOWEVER, THAT UNTIL MILESTONE NUMBER 22 IS COMPLETED, BUYER SHALL NOT BE OBLIGATED TO PAY FOR MILESTONES COMPLETED MORE THAN SIX (6) MONTHS AFTER THE SCHEDULED COMPLETION DATE OF MILESTONE NUMBER 22.

D. Any inflation adjustment increase referred to in ARTICLE 4, PRICE, shall be paid by Buyer to Seller in one or more increments as specified below. The first increment (for all completed milestones) specified and calculated under ARTICLE 4, PRICE, shall be paid by Buyer to Seller within 90 calendar days following Seller's invoice for this payment. The inflation adjustment amount for the uncompleted milestones

shall be paid when such milestones are completed. In the event an inflation adjustment decrease is determined applicable under ARTICLE 4, PRICE, to milestones previously paid by Buyer to Seller, Seller shall credit such amount to the next invoice issued by Seller to Buyer following computation of such adjustment. The downward inflation adjustment amount applicable to any uncompleted milestone(s) shall be credited on the invoice(s) in which such milestones are billed.

Buyer shall have the right to challenge the assertion of Seller that any milestone has been completed in accordance with the Milestone Acceptance Criteria by providing Seller with written notice to such effect within 20 days following receipt of Seller's invoice. Such notice shall summarize the reasons for such challenge and Seller shall respond thereto in writing or orally within 5 days of receipt of such challenge. Failure to resolve any dispute between Seller and Buyer with respect to any such challenge shall be resolved in accordance with ARTICLE 36, APPLICABLE LAW. Nothing herein shall be construed to limit Buyer's rights under ARTICLE 23, DEFAULT BY SELLER, nor Seller's rights under ARTICLE 24, DEFAULT BY BUYER.

ARTICLE 6. PAYMENT GUARANTEE.

A. Buyer represents and warrants that it shall have sufficient immediately available funds to make payments under this contract in amounts equal to or greater than those required for the next calendar quarter. Buyer shall provide written assurances, satisfactory to Seller, of the Buyer's ability to make all scheduled payments for the next calendar quarter contemplated by this contract. The aforementioned assurances shall be provided to Seller no later than 30 days before the first day of each calendar quarter and may include either letters of credit from a financial institution rated at least AA- or equivalant (rated by Moody's or Standard and Poors), or, cash deposited in escrow accounts with escrow agents acceptable to Buyer and Seller, or bank account statements from a financial institution rated at least AA- or equivalant by Moody's or Standard and Poors or other written assurances satisfactory to Seller.

subcontracts and purchase commitments; and, a fair and reasonable profit based upon the foregoing items. Buyer shall pay seller such amounts within thirty (30) days after receipt of Seller's invoice(s) therefor.

b. Buyer shall be relieved of all other obligations contained in this Contract except for its obligation to not disclose or use the Seller's proprietary information except in accordance with ARTICLE 27, DISCLOSURE AND USE OF INFORMATION BY PARTIES.

ARTICLE 26. LIMITATION OF LIABILITY.

A. IN NO EVENT SHALL SELLER BE LIABLE, WHETHER IN CONTRACT, TORT OR OTHERWISE, FOR SPECIAL, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES, INCLUDING WITHOUT LIMITATION LOST PROFIT OR REVENUES.

B. FURTHERMORE, IN NO EVENT AND UNDER NO CIRCUMSTANCES SHALL SELLER BE LIABLE TO BUYER IN AN AMOUNT IN EXCESS OF $100,000,000 (U.S.) FOR ANY AND ALL COSTS, DAMAGES, CLAIMS OR LOSSES WHATSOEVER ARISING OUT OF OR RELATED TO THIS CONTRACT OR ANY OTHER CONTRACT REFERRED TO IN ARTICLE 30 HEREOF OR EXECUTED BETWEEN BUYER AND SELLER IN CONNECTION WITH THE IRIDIUM COMMUNICATIONS SYSTEM, OR ANY PROVISION HEREUNDER OR THEREUNDER WHETHER PURSUED AS A BREACH (I.E. DEFAULT) OF THE CONTRACT OR AS A TORT OR OTHER CAUSE OF ACTION AND WHETHER ACCRUING BEFORE OR AFTER COMPLETION OF ALL THE WORK REQUIRED TO BE PERFORMED UNDER THIS CONTRACT.

ARTICLE 27. DISCLOSURE AND USE OF INFORMATION BY THE PARTIES.

b. Buyer shall be relieved of all other obligations contained in this Contract except for its obligation to not use or disclose Seller's proprietary information except in accordance with ARTICLE 27, DISCLOSURE AND USE OF INFORMATION BY PARTIES.

ARTICLE 38. EFFECTIVE DATE.

The term Effective Date of this Contract (EDC), as used in this Contract shall mean the 29th day of July, 1993.

IN WITNESS WHEREOF, the parties hereto have executed this Contract consisting of this and the preceding __33__ pages and the Exhibits referenced therein.

MOTOROLA, INC.	IRIDIUM, INC.
By: /s/ DURRELL HILLIS	By: /s/ JERROLD D. ADAMS
Name: Durrell Hillis	Name: Jerrold D. Adams
Title: Corporate Vice President	Title: President and Chief Operating Officer
Date:	Date:

EXHIBIT A
OF
IRIDIUM
SPACE SYSTEM
CONTRACT

Milestone Number	Description*	Scheduled Completion Date**	$ Amount Due (U.S. Dollars)
N/A	Down Payment (1st increment)	07/29/93	$ 75,000,000
N/A	Down Payment (2nd increment)	09/29/93	$100,000,000
N/A	Down Payment (3rd increment)	11/29/93	$100,000,000
1	Main Mission Antenna PDR (5.1)	01/29/94	$ 20,000,000
2	Communications Module PDR (5.2)	02/28/94	$ 20,000,000
3	Space Vehicle Manufacturing Plan (5.3)	03/29/94	$ 20,000,000
4	Earth Terminal SCS PDR (5.4)	04/29/94	$ 20,000,000
5	Earth Terminal Controller SCS PDR (5.5)	05/29/94	$ 20,000,000
6	System Control Segment PDR (5.6)	07/29/94	$ 21,000,000
7	Earth Terminal SCS CDR (5.7)	08/29/94	$ 50,000,000
8	Earth Terminal Controller SCS CDR (5.8)	09/29/94	$ 50,000,000
9	Communications Module CDR (5.9)	10/29/94	$ 50,000,000
10	System Control Segment CDR (5.10)	11/29/94	$ 50,000,000
11	Main Mission Antenna CDR (5.11)	12/29/94	$ 50,000,000

Net contracts in process.....	$ 1,328,338	$1,858,414

Unbilled contract receivables represent accumulated costs and profits earned but not yet billed to customers at year-end. The Company expects that substantially all such amounts will be billed and collected within one year.

Odyssey Worldwide Services
1000, de la Gauchetière ouest/West, Montréal, Québec H3B 4X5

New York 212 908 4267
London 081 267 0123
Hong Kong 852 845 1008

November 15, 1994
PRESS RELEASE

TRW - Teleglobe joint venture to build Odyssey™ worldwide personal communications satellite systems

TRW Inc. and Teleglobe Inc. today announced a joint venture to build and operate the TRW-developed Odyssey personal communications satellite system at a total estimated investment of US$2 billion.

The agreement teams one of the world's foremost satellite builders, TRW, with a leading international telecommunications firm, Teleglobe, in the race to place the first wireless personal communications system in orbit. The 12-satellite system, scheduled to begin operations in 1999, will essentially place a telephone company in orbit to provide personal voice, fax, and paging services to subscribers worldwide. The TRW-Teleglobe Odyssey satellite-based system will make it possible for a caller anywhere, using only a pocket telephone, to reach any other telephone anywhere.

Commenting today, Charles Sirois, Chairman and Chief Executive Officer of Telegobe, said: "The combination of TRW's 35 years of space and satellite experience and Teleglobe's 40 years of intercontinental telecommunications networking expertise makes us a formidable player in the wireless telecommunications market. We aim to be first. We aim to be best. And we aim to offer the best value."

"We will deliver effective, convenient, and affordable service everywhere," said Joseph T. Gorman, Chairman and Chief Executive Officer of TRW Inc. "Odyssey's obvious cost and technological advantages will broaden the world's communications capabilities significantly, especially in places where people still lack access to even basic telephone service."

Odyssey will be established as a limited partnership with TRW and Teleglobe serving as founding general partners and jointly managing the project. Together the two companies will fund 15 percent of the equity in the venture. TRW and Teleglobe foresee attracting major telecommunications companies from key global markets as strategic partners in order to assure the venture's success. They envisage that Odyssey will require about US$2 billion in financing. The majority of this will be equity and the balance a combination of debt and vendor financing. The foregoing investment includes an approximate US$500 million for a global earth station infrastructure.

Odyssey's full configuration of 12 satellites, which contrasts with other proposed systems requiring from 48 to more than 60 satellites, will substantially reduce system cost and complexity. In addition, Odyssey can begin service in 1998 with only six spacecraft in orbit.

The Odyssey system will have other cost advantages as well. Its satellites are designed for at least 10 years of service; other systems will need to replace their satellites after five years. MITRE, a leading U.S. independent research organization, concluded in a 1994 study that Odyssey's start-up costs could be as much as 60 percent lower than other systems reviewed. Odyssey anticipates call charges of less than US$1 a minute, compared with up to US$3 a minute quoted by prospective competitors.

The Odyssey satellites, orbiting about 10,000 kilometers (approximately 6,000 miles), will employ directed antenna coverage to serve the earth's land masses and keep users "in sights" of two satellites at all times. This double coverage will reduce the risk of interrupted calls, focus service where demand is the greatest and make best use of system capacity.

TRW has applied to the U.S. Federal Communications Commission (FCC) for a license to operate the Odyssey system. The FCC intends to award licenses in early 1995.

Formation of the joint venture does not affect TRW's FCC license application. TRW will continue to be solely responsible for prosecuting the FCC license application and, subsequently, will be the sole recipient of the license when granted. TRW will also operate the Odyssey satellite system and fulfill all obligations of the FCC license.

TRW Inc. is an international company listed on the New York, London and Frankfurt stock exchanges, with 1993 sales of US$7.9 billion. Headquartered in Cleveland, Ohio, the company provides products and services with a high technology or engineering content to the automotive, space and defense, and information systems markets.

The TRW Space & Electronics Group, with headquarters in Redondo Beach, California, is a leader in space systems, spaceborne electronic subsystems and other advanced technologies for national security and civil space. S&EG's products address the mission areas of surveillance, communications/relay, missile defense, space science and commercial telecommunications.

Teleglobe, based in Montreal, Quebec, with revenues last year of Cdn$1.4 billion, is a public company listed on the Montreal, Toronto and Vancouver stock exchanges. Teleglobe is one of the larger North American intercontinental telecommunications companies and provides services to more than 230 countries and territories through a network of satellites and fiber optic submarine cables.

Teleglobe is a pioneer in the development of, and investment in, the most advanced and efficient telecommunications technologies. It owns satellite earth stations across Canada and cable stations on the Atlantic and Pacific coasts, and has put in place a series of alliances with domestic and international telecommunications carriers around the world.

For general information please contact:

Gilles Quenneville, Advisor, Media & Investor Relations
Teleglobe Inc., Montreal, Quebec Tel. 514.868.7765

For technical information please contact:

Daniel J. McClain, Manager, Government & Media Relations
TRW Space & Electronics Group, Redondo Beach, California Tel. 310.812.4702

undertaking for the payment of the costs of such suit, including reasonable attorney's fees, and if judgment shall be rendered against a party litigant, upon the motion of the other party litigant, such costs may be assessed in favor of such party litigant (whether or not such undertaking has been required) if the court believes the suit or the defense to have been without merit, in an amount sufficient to reimburse him for the reasonable expenses incurred by him, in connection with such suit, such costs to be taxed in the manner usually provided for taxing of costs in the court in which the suit was heard.

(f) All or any one or more of the persons specified in subsection (a) shall be jointly and severally liable, and every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment, unless the person who has become liable was, and the other was not, guilty of fraudulent misrepresentation.

(g) In no case shall the amount recoverable under this section exceed the price at which the security was offered to the public.

CIVIL LIABILITIES ARISING IN CONNECTION WITH PROSPECTUSES AND COMMUNICATIONS

SECTION 12. Any person who:

(1) Offers or sells a security in violation of Section 5, or

(2) Offers or sells a security (whether or not exempted by the provisions of Section 3, other than paragraph (2) of subsection (a) thereof), by the use of any means or instruments of transportation or communication in interstate commerce or of the mails, by means of a prospectus or oral communication, which includes an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading (the purchaser not knowing of such untruth or omission), and who shall not sustain the burden of proof that he did not know, and in the exercise of reasonable care could not have known, of such untruth or omission, shall be liable to the person purchasing such security from him, who may sue either at law or in equity in any court of competent jurisdiction, to recover the consideration paid for such security with interest thereon, less the amount of any income received thereon, upon the tender of such security, or for damages if he no longer owns the security.

LIMITATION OF ACTIONS

SECTION 13. No action shall be maintained to enforce any liability created under Section 11 or Section 12(2) unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under Section 12(1), unless brought within one year after the violation upon which it is based. In no event shall any such action be brought to enforce a liability created under Section 11 or Section 12(1) more than three years after the security was *bona fide* offered to the public, or under Section 12(2) more than three years after the sale.

CONTRARY STIPULATIONS VOID

SECTION 14. Any condition, stipulation, or provision binding any person acquiring any security to waive compliance with any provision of this title or of the rules and regulations of the Commission shall be void.

REGULATION OF THE USE OF MANIPULATIVE AND DECEPTIVE DEVICES

SEC. 10. It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce or of the mails, or of any facility of any national securities exchange—

(a) To effect a short sale, or to use or employ any stop-loss order in connection with the purchase or sale, of any security registered on a national securities exchange, in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

(b) To use or employ, in connection with the purchase or sale of any security registered on a national securities exchange or any security not so registered, any manipulative or deceptive device or contrivance in contravention of such rules and regulations as the Commission may prescribe as necessary or appropriate in the public interest or for the protection of investors.

TRADING BY MEMBERS OF EXCHANGES, BROKERS, AND DEALERS

SEC. 11. (a)(1) It shall be unlawful for any member of a national securities exchange to effect any transaction on such exchange for its own account, the account of an associated person, or an account with respect to which it or an associated person thereof exercises investment discretion: Provided, however, That this paragraph shall not make unlawful—

(A) Any transaction by a dealer acting in the capacity of market maker;

(B) Any transaction for the account of an odd-lot dealer in a security in which he is so registered;

(C) Any stabilizing transaction effected in compliance with rules under section 10(b) of this title to facilitate a distribution of a security in which the member effecting such transaction is participating;

(D) Any bona fide arbitrage transaction, any bona fide hedge transaction involving a long or short position in an equity security and a long or short position in a security entitling the holder to acquire or sell such equity security, or any risk arbitrage transaction in connection with a merger, acquisition, tender offer, or similar transaction involving a recapitalization;

(E) Any transaction for the account of a natural person, the estate of a natural person, or a trust created by a natural person for himself or another natural person;

(F) Any transaction to offset a transaction made in error;

(G) Any other transaction for a member's own account provided that (i) such member is primarily engaged in the business of underwriting and distributing securities issued by other persons, selling securities to customers, and acting as broker, or any one or more of such activities, and whose gross income normally is derived principally from such business and related activities and (ii) such transaction is effected in compliance with rules of the Commission which, as a minimum, assure that the transaction is not inconsistent with the maintenance of fair and orderly markets and yields priority, parity, and precedence in execution to orders for the account of persons who are not members or associated with members of the exchange;

(H) Any transaction for an account with respect to which such member or an associated person thereof exercises investment discretion if such member—

(i) Has obtained, from the person or persons authorized to transact business for the account, express authorization for such member or associated person to effect such transactions prior to engaging in the practice of effecting such transactions;

(ii) Furnishes the person or persons authorized to transact business for the account with a statement at least annually disclosing the aggregate compensation received by the exchange member in effecting such transactions; and

(c) EXEMPTIVE AUTHORITY.—The Commission may, by rule or order, grant such exemptions, in whole in part, conditionally or unconditionally, to any penny stock or class of penny stocks from the requirements of subsection (b) as the Commission determines to be consistent with the public interest, the protection of investors, and the maintenance of fair and orderly markets.

(d) COMMISSION REPORTING REQUIREMENTS.—The Commission shall, in each of the first 5 annual reports (under section 23(b)(1) of this title) submitted more than 12 months after the date of enactment of this section, include a description of the status of the penny stock automated quotation system or systems required by subsection (b). Such description shall include—

(1) a review of the development, implementation, and progress of the project, including achievement of significant milestones and current project schedule; and

(2) a review of the activities of registered securities associations and national securities exchanges in the development of the system.

LIABILITY FOR MISLEADING STATEMENTS

SEC. 18. (a) Any person who shall make or cause to be made any statement in any application, report, or document filed pursuant to this title or any rule or regulation thereunder or any undertaking contained in a registration statement as provided in subsection (d) of section 15 of this title, which statement was at the time and in the light of the circumstances under which it was made false or misleading with respect to any material fact, shall be liable to any person (not knowing that such statement was false or misleading) who, in reliance upon such statement, shall have purchased or sold a security at a price which was affected by such statement, for damages caused by such reliance, unless the person sued shall prove that he acted in good faith and had no knowledge that such statement was false or misleading. A person seeking to enforce such liability may sue at law or in equity in any court of competent jurisdiction. In any such suit the court may, in its discretion, require an undertaking for the payment of the costs of such suit, and assess reasonable costs, including reasonable attorneys' fees, against either party litigant.

(b) Every person who becomes liable to make payment under this section may recover contribution as in cases of contract from any person who, if joined in the original suit, would have been liable to make the same payment.

(c) No action shall be maintained to enforce any liability created under this section unless brought within one year after the discovery of the facts constituting the cause of action and within three years after such cause of action accrued.

REGISTRATION, RESPONSIBILITIES, AND OVERSIGHT OF SELF-REGULATORY ORGANIZATIONS

SEC. 19. (a)(1) The Commission shall, upon the filing of an application for registration as a national securities exchange, registered securities association, or registered clearing agency, pursuant to section 6, 15A, or 17A of this title, respectively, publish notice of the filing and afford interested persons an opportunity to submit written data, views, and arguments concerning such application. Within ninety days of the date of publication of such notice (or within such longer period as to which the applicant consents), the Commission shall—

(A) by order grant such registration, or

(B) institute proceedings to determine whether registration should be denied. Such proceedings shall include notice of the grounds for denial under consideration and opportunity for hearing and shall be concluded within one hundred eighty days of the date of publication of notice of the filing of the application for registration. At the conclusion of such proceedings the Commission, by order, shall grant or deny such registration. The Commission may extend the time for conclusion of such proceedings for up to ninety days if it finds good cause for such

failure to deliver, a national securities exchange, in the case of a sale effected thereon, or a national securities association, in the case of a sale not effected on an exchange, finds (i) that such sale resulted from a mistake made in good faith, (ii) that due diligence was used to ascertain that the circumstances specified in clause (1) of Rule 10a-1(d) existed or to obtain the information specified in clause (2) thereof, and (iii) either that the condition of the market at the time the mistake was discovered was such that undue hardship would result from covering the transaction by a "purchase for cash" or that the mistake was made by the seller's broker and the sale was at a price permissible for a short sale under Rule 10a-1(a) or (b).

MANIPULATIVE AND DECEPTIVE DEVICES AND CONTRIVANCES

Rule 10b-1. Prohibition of Use of Manipulative or Deceptive Devices or Contrivances With Respect to Certain Securities Exempted From Registration

The term manipulative or deceptive device or contrivance, as used in section 10(b), is hereby defined to include any act or omission to act with respect to any security exempted from the operation of section 12(a) pursuant to a rule which specifically provides that this rule shall be applicable to such security, if such act or omission to act would have been unlawful under section 9(a), or any rule or regulation heretofore or hereafter prescribed thereunder, if done or omitted to be done with respect to a security registered on a national securities exchange, and the use of any means or instrumentality of interstate commerce or of the mails or of any facility of any national securities exchange to use or employ any such device or contrivance in connection with the purchase or sale of any such security is hereby prohibited

Rule 10b-2. Reserved.

Rule 10b-3. Employment of Manipulative and Deceptive Devices by Brokers or Dealers

(a) It shall be unlawful for any broker or dealer, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, to use or employ, in connection with the purchase or sale of any security otherwise than on a national securities exchange, any act, practice, or course of business defined by the Commission to be included within the term "manipulative, deceptive, or other fraudulent device or contrivance," as such term is used in section 15(c)(1) of the Act.

(b) It shall be unlawful for any municipal securities dealer directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, to use or employ, in connection with the purchase or sale of any municipal security, any act, practice, or course of business defined by the Commission to be included within the term "manipulative, deceptive, or other fraudulent device or contrivance," as such term is used in Section 15(c)(1) of the Act.

Rule 10b-5. Employment of Manipulative and Deceptive Devices

It shall be unlawful for any person, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange,

(1) to employ any device, scheme, or artifice to defraud,

(2) to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

(3) to engage in any act, practice, or course of business which operates or would

operate as a fraud or deceit upon any person,

in connection with the purchase or sale of any security.

Rule 10b-6. Prohibitions Against Trading by Persons Interested in a Distribution

(a) It shall be unlawful for any person,

(1) Who is an underwriter or prospective underwriter in a particular distribution of securities, or

(2) Who is the issuer or other person on whose behalf such a distribution is being made, or

(3) Who is a broker, dealer, or other person who has agreed to participate or is participating in such a distribution, or

(4) Who is an "affiliated purchaser" as that term is defined in paragraph (c)(6) of this rule, directly or indirectly, by the use of any means or instrumentality of interstate commerce, or of the mails, or of any facility of any national securities exchange, either alone or with one or more other persons, to bid for or purchase for any account in which he has a beneficial interest, any security which is the subject of such distribution, or any security of the same class and series, or any right to purchase any such security, or to attempt to induce any person to purchase any such security or right, until after he has completed his participation in such distribution: *Provided, however,* That this rule shall not prohibit the following, if not engaged in for the purpose of creating actual, or apparent, active trading in or raising the price of any such security:

(i) Transactions in connection with the distribution effected otherwise than on a securities exchange with the issuer or other person or persons on whose behalf such distribution is being made or among underwriters, prospective underwriters or other persons who have agreed to participate or are participating in such distribution;

(ii) Unsolicited privately negotiated purchases, each involving at least a block of such security, that are not effected from or through a broker or dealer; or

(iii) Purchases by an issuer effected more than forty days after the effective date of the registration statement covering the securities being distributed, or in the case of an unregistered distribution, more than forty days after the commencement of offers or sales of the securities being distributed, for the purpose of satisfying a sinking fund or similar obligation to which it is subject and which becomes due as of a date that does not exceed twelve months from the date of purchase; or

(iv) Odd-lot transactions and round-lot transactions that offset odd-lot transactions previously or simultaneously executed or reasonably anticipated in the usual course of business by a person who acts in the capacity of an odd-lot dealer; or

(v) Brokerage transactions:

(A) Not involving solicitation of the customer's order, or

(B) Involving solicitation of the customer's order (*1*) in the case of securities qualified under paragraph (a)(4)(xi)(A) of this rule, prior to the later of two business days before the commencement of offers or sales of the securities to be distributed or the time the broker-dealer becomes a participant in the distribution, or (*2*) in the case of other securities, prior to the later of nine business days before the commencement of offers or sales of the securities to be distributed or the time the broker-dealer becomes a participant in the distribution; or

(vi) Offers to sell or the solicitation of offers to buy the securities being distributed (including securities or rights acquired in stabilizing) or securities or rights offered as principal by the person making such offer to sell or solicitation; or

(vii) The exercise of any right or conversion privilege, set forth in the instrument governing a security, to acquire any security

12	Space System CDR (5.12)	01/29/95	$ 65,000,000
13	SCC Construction Complete (5.13)	02/28/95	$ 70,000,000
14	Space Vehicle Test Plan (5.14)	03/29/95	$ 80,000,000
15	Space System Ops Plan (5.15)	04/29/95	$ 80,000,000
16	Main Mission Antenna Qual Model Test (5.16)	05/29/95	$ 87,000,000

Milestone Number	Description*	Scheduled Completion Date**	$ Amount Due (U.S. Dollars)
17	Space Vehicle Bus Qual Test Complete (5.17)	07/29/95	$ 80,000,000
18	Space Vehicle Qual Model Assembly Complete (5.18)	08/29/95	$ 80,000,000
19	Space System DT&E Test Readiness Review (5.19)	10/29/95	$ 80,000,000
20	Space Vehicle Supplier PRR (5.20)	11/29/95	$ 90,000,000
21	SCC Ready For OT&E Test (5.21)	12/29/95	$ 90,000,000
22	Space Vehicle Qual Test (5.22)	01/29/96	$ 90,000,000
23	TTAC West Construction Complete (5.23)	02/29/96	$ 90,000,000
24	Space System Multiple SV DT&E Test Report (5.24)	05/29/96	$ 106,000,000
25	SCC and TTAC Integration & Test (OTE) Complete (5.25)	07/29/96	$ 100,000,000
26	SCC and TTAC Ready To Support First Launch (5.26)	09/29/96	$ 100,000,000
27	Preliminary Satellite Subscriber Unit Interface Specification (5.27)	10/29/96	$ 100,000,000
28	Space System OT&E Test Readiness Review (5.28)	11/29/96	$ 100,000,000
29	ATP Procedures (5.29)	12/29/96	$ 100,000,000
30	Initial Launch (5.30)	01/29/97	$ 100,000,000

31	Initial Launch Test Data Report (5.31)	03/29/97	$ 100,000,000
32	Step I of Table 3.7.1 (5.32)	04/29/97	$ 75,000,000
33	Final Test Report (Launch #1) (5.33)	05/29/97	$ 82,000,000
34	Step II of Table 3.7.1 (5.34)	07/29/97	$ 75,000,000
35	Step III of Table 3.7.1 (5.35)	08/29/97	$ 70,000,000

Milestone Number	Description*	Scheduled Completion Date**	$ Amount Due (U.S. Dollars)
36	MCF Construction Complete (5.36)	09/29/97	$ 50,000,000
37	Satellite Subscriber Unit Interface Specification (5.37)	10/29/97	$ 50,000,000
38	Space Node Test Report (5.38)	11/29/97	$ 25,000,000
39	Step IV of Table 3.7.1 (5.39)	12/29/97	$ 75,000,000
40	BCF Integration & Test Complete (5.40)	01/29/98	$ 25,000,000
41	MCF Integration & Test Complete (5.41)	02/28/98	$ 25,000,000
42	Step V of Table 3.7.1 (5.42)	03/29/98	$ 75,000,000
43	BCF Fully Operational (5.43)	05/29/98	$ 44,000,000
44	Step VI of Table 3.7.1 (5.44)	06/29/98	$ 75,000,000
45	SCS Fully Operational (5.45)	07/29/98	$ 45,000,000
46	Step VII of Table 3.7.1 (5.46)	08/29/98	$ 75,000,000
47	Completion of Test Plan (FOC) (5.47)	10/08/98	$100,000,000

* Except as specified otherwise, the paragraph referenced in parenthesis beside the description of each milestone refers to the applicable provision of the Statement of Work, Exhibit B.

** The dates shown in the column titled "Scheduled Completion Date" are those dates as of the Effective Date of this Contract and are subject to adjustment as provided by ARTICLE 11, EXCUSABLE DELAYS, of the Contract.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1993
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 1-7221

MOTOROLA, INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	36-1115800
(STATE OF INCORPORATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

1303 EAST ALGONQUIN ROAD, SCHAUMBURG, ILLINOIS 60196

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

REGISTRANT'S TELEPHONE NUMBER (708) 576-5000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $3 Par Value per Share	New York Stock Exchange Chicago Stock Exchange
Liquid Yield Option Notes due 2009	New York Stock Exchange
Liquid Yield Option Notes due 2013	New York Stock Exchange
Rights to Purchase Junior Participating Preferred Stock, Series A	New York Stock Exchange Chicago Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes _X_ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of voting stock held by non-affiliates of the registrant as of January 31, 1994 was approximately $26.6 billion (based on closing sale price of $98.50 per share as reported for the New York Stock

underlying exposures, nor does it enter into trades for any currency to intentionally increase the underlying exposure. Information on such exposures is updated and gathered at least monthly as part of the Company's monitoring process and the financial instruments can be evaluated daily by this process.

Essentially all the Company's receivables and payables which are denominated in major tradable currencies are hedged. However, some of the Company's exposure is to currencies which are not tradable, such as those in Latin America and China, and these are addressed, to the extent reasonably possible, through managing net asset positions, product pricing, and other means, such as component sourcing. At various times and in various amounts, there are some hedges of firm commitments not yet on the balance sheet, and there could be hedges of anticipated transactions in the future. The Company operates in many countries both from a manufacturing and selling standpoint, has many competitors operating in many countries, and has a vast number of products. Some combination of significant changes in foreign exchange rates and the reaction of our many competitors could have a material effect on expected transactions (other than firm commitments or anticipated transactions) and on the Company's financial results in future years. Individual business units have the primary responsibility to mitigate the effect of foreign currencies and for determining whether to hedge a firm commitment or transaction since both the underlying business profitability and any currency financial instrument hedge are reflected within their respective results. Furthermore, these individual business units also are responsible for new products, pricing, sourcing of components, new plant locations, capacity utilization by location, currency risk sharing clauses in purchase orders or sales contracts, and other factors, which significantly impact the effect of changing currencies on their businesses. The Company believes that the largest potential effect on the Company from foreign currencies may come from the effect of changes in foreign currencies on our competitors and their reaction to such changes. Most of the Company's net investment in foreign subsidiaries are not hedged because they are permanent investments. The foreign exchange financial instruments which hedge various investments in foreign subsidiaries are marked to market monthly as are the underlying investments and the results are recorded in the financial statements.

As of December 31, 1993 and 1992, the Company had net outstanding foreign exchange contracts totaling $955 million and $551 million, respectively. The following schedule shows the five largest foreign exchange hedge positions as of December 31, 1993:

IN MILLIONS OF U.S. DOLLARS

Buy (Sell)	1993	1992
Japanese Yen	(338)	(182)
British Pound Sterling	(215)	26
German Deutsche Mark	(143)	(74)
Italian Lira	(73)	(40)
French Franc	(44)	69

As of December 31, 1993, outstanding foreign exchange contracts primarily consisted of short-term forward contracts. Net deferred gains on forward contracts which hedge designated firm commitments totaled $1.7 million at December 31, 1993. As of December 31, 1993, combination options, all of which are cylinder options and are designated as hedges of firm commitments, totaled $81 million and the corresponding net deferred loss totaled $6.7 million. A cylinder is composed of a pair of options in which one option is purchased to provide downside protection, and the other option is sold, limiting upside return, in order to reduce the premium paid.

STRATEGIC INVESTMENT: The Company further advanced its strategic investment in the IRIDIUM (Trademark symbol and Servicemark symbol inserted here) and global communications system. The system is being developed by Iridium, Inc., a private, international consortium of telecommunications and industrial companies. The Company has reduced its ownership in Iridium, Inc. from 100%

to approximately 29% and intends to further reduce its ownership to not less than 15% over time. At December 31, 1993, the Company's equity investment in and commitments to make equity investments in Iridium, Inc. totaled $231.3 million; additionally, it has committed, subject to action by the Iridium, Inc. Board, to additional equity investments totaling approximately $60 million. The Company's initial investment in Iridium, recorded during 1993, is included in the Consolidated Balance Sheet category "Other Assets". Iridium, Inc. will require additional funding from various sources in order to complete the global communications system, which is expected to take place over the next five years.

The Company has executed two contracts with Iridium, Inc., for the construction and operation of portions of the global communications system, providing for approximately $6.3 billion in payments by the consortium over a ten year period; the Company has in turn entered into significant subcontracts for portions of the system, for which it will generally remain obligated even if Iridium, Inc. is unable to satisfy the terms of the contracts with the Company, including funding. Separately, the Company is making significant investments to produce ancillary products for the system, such as subscriber units.

In addition to Iridium, the Company continues to increase its investment in strategic joint ventures. These investments are also included in the Consolidated Balance Sheet category "Other Assets".

TRANSFER OF SPECIALIZED MOBILE RADIO BUSINESSES, SYSTEMS, AND LICENSES: The Company has signed agreements in principle with Dial Page, Inc., CenCall Communications Corp., and Nextel Communications Inc., under which the Company agreed to transfer substantially all of its 800 MHz specialized mobile radio businesses, systems and licenses in the United States, along with cash, in exchange for stock and warrants in these companies. Binding agreements to complete these transactions are subject to various conditions, including agreement on definitive documents, approvals by the Federal Communications Commission and other governmental agencies, and the shareholders of each of the three companies. The Company may receive approximately 11.74 million shares of Dial Page, Inc. stock and a warrant to purchase an additional 1 million shares at specified, increasing prices; 11.5 million shares of CenCall Communications Corp. common stock and a warrant to purchase an additional 4 million shares at specified, increasing prices; and 35.5 million shares of Nextel Communications Inc. common stock, subject to certain adjustments. In connection with these agreements, those companies have agreed to enter into purchase agreements to use Motorola Integrated Radio System technology on those systems. These agreements in principle provide that the Company will lend or guarantee approximately $440 million in connection with these transactions, which may result in some concentrations of credit risk. The agreements in principle further provide that the Company will acquire certain managed licenses (or substitutes) within specified periods.

ENVIRONMENTAL MATTERS: Regulating agencies are proposing regulations and interpreting legislation in a manner that allows retroactive imposition of remedial requirements. The Company is engaged in a number of remedial efforts, some of which have been identified as Superfund sites under the Federal Comprehensive Environmental Response Compensation and Liability Act of 1980, or similar state laws. The Company accrues costs associated with environmental matters when they become probable and reasonably estimable. At the end of 1993, the Company has accrued liabilities for the remedial efforts of approximately $42 million. However, due to their uncertain nature, the amounts accrued could differ, perhaps significantly, from the actual costs incurred. These amounts assume no substantial recovery of costs from any insurer. The remedial efforts include environmental cleanup costs, and communication programs. These liabilities represent only the Company's share of any possible costs incurred in environmental cleanup sites, since in most cases, potentially responsible parties other than the Company may exist.

STOCK SPLIT: On February 1, 1994, the Board of Directors declared a two-for-one stock split, effected in the form of a 100% stock dividend, to

PART I - FINANCIAL INFORMATION
MOTOROLA, INC. AND CONSOLIDATED SUBSIDIARIES
STATEMENTS OF CONSOLIDATED EARNINGS
(UNAUDITED)
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	Oct. 1, 1994	Oct. 2, 1993	Oct. 1, 1994	Oct. 2, 1993
Net sales	$ 5,660	$ 4,408	$ 15,792	$ 11,970
Costs and expenses				
Manufacturing and other costs of sales	3,539	2,712	9,826	7,327
Selling, general and administrative expenses	1,106	974	3,166	2,676
Depreciation expense	379	298	1,051	841
Interest expense, net	41	36	116	108
Total costs and expenses	5,065	4,020	14,159	10,952
Earnings before income taxes	595	388	1,633	1,018
Income taxes provided on earnings	215	134	588	336
Net earnings	$ 380	$ 254	$ 1,045	$ 682
Net earnings per share				
Primary and Fully diluted:				
Net earnings per share	$ 0.65	$ 0.44	$ 1.79	$ 1.20
Average common and common equivalent shares outstanding, fully diluted (in millions)(1)	589.7	579.1	589.7	579.1
Dividends paid per share	$ .070	$ .055	$ .195	$ .165

LIQUIDITY AND CAPITAL RESOURCES:

Net accounts receivable increased $806 million since December 31, 1993, largely due to the Company's significant revenue growth during the first nine months of 1994 and an increase in the number of weeks of receivables to 7.1 from 6.1 at December 31, 1993.

Inventories at October 1, 1994 increased by 38 percent, or $700 million compared to inventories at December 31, 1993. The Government Systems and Technology Group was a contributor to the increase in inventory due to material requirements for the Iridium global personal communications system. In addition, the Cellular Subscriber Group within Motorola's General System Sector increased inventory in order to help improve responsiveness to customer orders.

The Company's notes payable and current portion of long-term debt increased to $1.9 billion at October 1, 1994, an increase of approximately 242% from the amount at December 31, 1993, primarily due to increased capital expenditures, material requirements, funding of acquisitions, increasing federal income tax payments, and funding of the Motorola Profit Sharing and Pension trusts. Net debt (notes payable and current portion of long-term debt plus long-term debt less short-term investments and cash equivalents) to net debt plus equity rose to 22.7 percent at October 1, 1994 from 11.9 percent at December 31, 1993. Motorola's current ratio (the ratio of current assets to current liabilities) was 1.34 at October 1, 1994, compared to 1.53 at December 31, 1993.

During the quarter, Motorola signed a definitive agreement with Nextel Communications, Inc. under which Motorola will receive Nextel stock in exchange for Motorola's 800 MHz specialized mobile radio service businesses, systems and licenses in the continental United States. The agreement is subject to various conditions, including regulatory approvals, completion of certain transactions, and approval by Nextel stockholders. In connection with the Nextel agreement, Motorola agreed to provide up to an additional $260 million in vendor financing, for the purchase of various specialized mobile radio equipment and services by Nextel subsidiaries. In addition, the Company has agreed to finance an additional $165 million, subject to various conditions, of purchases of equipment and services by a OneComm Corporation subsidiary.

During the quarter, the Company also signed agreements committing to purchase, directly or indirectly, approximately $224 million of common shares from Iridium, Inc. These commitments were a portion of the $733 million of additional equity commitments received by Iridium, Inc., some of which are conditional.

Motorola's research and development expense was $485 million in the third quarter of 1994, compared to $384 million in the third quarter of 1993. During the first nine months ended October 1, 1994, research and development expense was $1,350 million, compared to $1,113 million a year ago. The Company continues to believe that a strong commitment to research and development drives long-term growth. The Company's fixed asset expenditures for the third quarter of 1994 totaled $846 million, compared to $431 million for the third quarter of 1993. During the first nine months ended October 1, 1994, fixed asset expenditures were $2,317 million, compared to $1,252 million a year ago. The Company is currently anticipating that fixed asset and research and development expenditures incurred during 1994 could total as much as approximately $3.4 billion, and approximately $1.8 billion, respectively; however, these amounts are only estimates, and the actual expenditures incurred may vary. Total fixed asset and research and development expenditures for the year ended December 31, 1993 were $2.2 billion and $1.5 billion, respectively.

Return on average invested capital (net earnings divided by the sum of stockholders' equity, long-term debt, and notes payable and the current portion of long-term debt, less short-term investments and cash equivalents) was 16.7 percent based on the performance of the four preceding fiscal

As filed with the Securities and Exchange Commission on November 29, 1994

Registration No. 33-

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Form S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GLOBALSTAR TELECOMMUNICATIONS LIMITED

(Exact name of registrant as specified in its charter)

Bermuda	4812	13-3795510
(State or other jurisdiction of incorporation)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification No.)*

Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda (809) 295-2244
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Michael B. Targoff, 600 Third Avenue, New York, New York 10016 (212) 697-1105
(Name, address, including zip code, and telephone number, including area code, of agent for service)

with copies to:

Bruce R. Kraus, Esq.
Willkie Farr & Gallagher
One Citicorp Center
153 East 53rd Street
New York, New York 10022
(212) 821-8000

Robert Rosenman, Esq.
William P. Rogers, Esq.
Cravath Swaine & Moore
Worldwide Plaza, 825 Eighth Avenue
New York, New York 10019
(212) 474-1000

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered (1)	Proposed Maximum Offering Price Per Share (2)	Proposed Maximum Aggregate Offering Price (2)	Amount of Registration Fee
Shares of Common Stock, par value $1.00 per share	13,800,000 shares	$26	$358,800,000	$123,725

(1) Includes 1,800,000 shares which the Underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457 under the Securities Act of 1933, as amended.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

12,000,000 Shares

GLOBALSTAR TELECOMMUNICATIONS LIMITED

Common Stock

Of the 12,000,000 shares of Common Stock, par value $1.00 per share (the "Common Stock"), of Globalstar Telecommunications Limited, a Bermuda company (the "Company"), offered hereby, 7,200,000 shares are being offered initially in the United States and Canada by the U.S. Underwriters, 2,400,000 shares are being offered initially in Europe by the European Managers and 2,400,000 shares are being offered initially in Asia by the Asian Managers (together with the U.S. Underwriters and the European Managers, the "Underwriters"). Such offerings are referred to collectively as the "Offerings." Upon completion of the Offerings, the Company will become one of two general partners of Globalstar, L.P., a Delaware limited partnership ("Globalstar").

Prior to the Offerings, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between $24.00 and $26.00 per share. See "Underwriting" for a discussion of the factors considered in determining the initial public offering price. The initial public offering price and the underwriting discount and commission per share are identical for each of the Offerings. The Company intends to make application to trade the Common Stock on the Nasdaq National Market ("NNM") under the symbol "GSTRF."

The Common Stock offered hereby involves a high degree of risk. See "Risk Factors."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Share	$	$	$
Total(3)	$	$	$

(1) The Company and Globalstar have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"). See "Underwriting."

(2) After deducting expenses of the Offerings estimated at $1,000,000 payable by the Company.

(3) The Company has granted the U.S. Underwriters a 30-day option to purchase up to 1,080,000 additional shares on the same terms and conditions as set forth above solely to cover over-allotments, if any. The European Managers and the Asian Managers have each been granted a similar option to purchase up to 360,000 additional shares to cover over-allotments, if any. If such options are exercised in full, the total Price to Public, Underwriting Discounts and Commissions, and Proceeds to Company will be $, $ and $, respectively. See "Underwriting."

LEHMAN BROTHERS

GLOBAL COORDINATOR

The shares of Common Stock offered by this Prospectus are offered by the U.S. Underwriters subject to prior sale, to withdrawal, cancellation or modification of the offer without notice, to delivery to and acceptance by the U.S. Underwriters and to certain further conditions. It is expected that delivery of the certificates for the shares will be made at the offices of Lehman Brothers Inc., New York, New York, on or about , 1995.

LEHMAN BROTHERS

BEAR, STEARNS & CO. INC.

J.P. MORGAN SECURITIES INC.

SALOMON BROTHERS INC

, 1995

The following summary is qualified in its entirety by the detailed information and financial statements and the notes thereto included elsewhere or incorporated by reference in this Prospectus. Unless otherwise indicated, all references to "$" or "dollars" are to United States dollars. The information in this Prospectus, unless otherwise indicated, does not give effect to the exercise of the over-allotment options described under "Underwriting." See "Glossary of Terms" for definitions of certain terms used in this Prospectus. All Globalstar partnership interests referred to in this Prospectus reflect a 6-for-1 split effective November 1994. The Common Stock being offered hereby involves a high degree of risk. See "Risk Factors."

The Company

The Company is a Bermuda company that will act as a general partner of Globalstar. Globalstar was founded by Loral Corporation ("Loral") and QUALCOMM Incorporated ("Qualcomm") to design, construct and operate a worldwide, low-earth orbit ("LEO") satellite-based digital telecommunications system (the "Globalstar System"). Loral has overall management responsibility for Globalstar. Globalstar intends to offer low-cost, high quality voice telephony and other digital telecommunications services such as data transmission, paging, facsimile and position location to areas currently underserved or not served by existing wireline and cellular telecommunications systems. The Company will use the proceeds of the Offerings to acquire partnership interests representing a 25% equity interest in Globalstar (27.7%, if the Underwriters' over-allotment options are exercised in full). Globalstar in turn will use the proceeds from the sale of partnership interests to the Company for the design and construction of the Globalstar System. See "The Company" and "Use of Proceeds."

With its investment in Globalstar, the Company will become a partner with some of the world's leading telecommunications service providers and telecommunications equipment and aerospace systems manufacturers, which have collectively made irrevocable commitments of approximately $475 million to Globalstar, comprised of $275 million in equity and approximately $200 million in vendor financing. Following the Offerings, Globalstar will have satisfied approximately 40% of its expected total capital requirements through the Full Coverage Date (as hereinafter defined). The Offerings will complete Globalstar's total expected equity financing, other than strategically driven placements of limited partnership interests with future service providers and other strategic investors.

In addition to Loral and Qualcomm, Globalstar's strategic partners are:

Globalstar Strategic Partners

Telecommunications Service Providers	Telecommunications Equipment and Aerospace Systems Manufacturers
• AirTouch Communications ("AirTouch")	• Alcatel, N.V. ("Alcatel")
• DACOM ("Dacom")	• Alenia Aeritalia & Selenia S.p.A. ("Alenia")
• France Telecom	• Daimler Benz Aerospace AG ("Daimler Aerospace")
• Vodafone plc ("Vodafone")	• Hyundai Electronics Industries Co., Ltd. ("Hyundai")
	• Space Systems/Loral, Inc. ("SS/L")

Globalstar service will be delivered through a 48-satellite LEO constellation that will provide wireless telephone service in virtually every populated area of the world where Globalstar service is authorized. Globalstar expects Loral/Qualcomm Partnership, L.P. ("LQP"), the general partner of its managing general partner, to be granted a license for construction, launch and operation of the Globalstar System by the United States Federal Communications Commission (the "FCC") in January 1995 in the Mobile Satellite Service ("MSS") Proceeding Above One Gigahertz (the "MSS Proceeding"). Globalstar expects to begin launching satellites in the second half of 1997 and to commence initial commercial operations via a 24-satellite constellation in 1998 (the "In-Service Date"). Full coverage via a 48-satellite constellation is expected to be established in the first half of 1999 (the "Full Coverage Date"). If its operations proceed as planned, Globalstar expects to require capital of approximately $1.95 billion from inception through the Full Coverage

Sources and Uses of Capital by Globalstar
(In millions)

The following describes the estimated sources and uses of capital by Globalstar for the period from inception to the Full Coverage Date. Actual amounts may vary materially from these estimates and additional funds would be required in the event of unforeseen delays, cost overruns, launch failures and other technological risks or other adverse regulatory developments, or to meet other unanticipated expenses. See "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Risk Factors" and "Related Party Transactions."

Sources:		Uses:	
Equity Commitments[1]	$ 275	Globalstar System:	
Vendor Financing[2]	200	Satellite Constellation	$ 920
Total to Date	475	Launch Services and Insurance	394
Net Proceeds to Globalstar from the Offerings[3]	282	Ground Segment	315
		Total System Cost	1,629
Total Pro Forma Capital Raised	757	Interest and Financing Costs[5]	167
Future Capital Requirements[4]	1,194	Operating Expenses and Working Capital	155
Total Sources	$1,951	Total Uses	$1,951

(1) Of the total amount committed by its strategic partners, Globalstar has to date received $160 million, with the balance due in March 1995.

(2) Vendor financing in the amount of approximately $200 million has been committed to Globalstar by SS/L and its major subcontractors. The vendor financing is non-interest bearing and calls for $90 million to be repaid following the launch of the satellites, with the remaining $110 million to be amortized in equal payments over five years following the In-Service Date.

(3) Assumes an initial public offering price of $25.00 per share of Common Stock, the mid-point of the filing range of prices set forth on the cover page of this Prospectus, after deducting underwriting discounts, and expenses of approximately $1 million associated with the Offerings and assuming no exercise of the Underwriters' over-allotment options.

(4) Additional funds to complete the first-generation Globalstar System are expected to be obtained from debt issuances as well as from prepaid service connection fees, service revenues from initial operations and royalties received from the sale of gateways and Subscriber Terminals. However, there can be no assurance that such debt issuances will be available on favorable terms or on a timely basis, if at all. Neither the Company nor Globalstar presently contemplates any additional equity financing following the Offerings, except for strategically driven private placements of Globalstar partnership interests with future service providers or other strategic investors. Such discussions have been ongoing with certain parties. Such additional investments may be made at prices lower than those to be paid by the Company. See "Dilution."

(5) Based on assumed interest rates and borrowing levels. Actual interest and financing costs will depend upon applicable interest rates and the amount and timing of actual borrowings.

The Offerings

U.S. Offering	7,200,000 shares
European Offering	2,400,000 shares
Asian Offering	2,400,000 shares
Total	12,000,000 shares
Common Stock Outstanding after the Offerings	12,000,000 shares
Use of Proceeds	To acquire 12,000,000 partnership interests representing a 25% equity interest in Globalstar (or 13,800,000 partnership interests, representing a 27.7% equity interest, if the Underwriters' over-allotment options are exercised in full). It is expected that Globalstar will use substantially all the proceeds from the sale of partnership interests to the Company towards the design, construction and deployment of the Globalstar System. See "Use of Proceeds."
Nasdaq National Market Symbol	GSTRF

Risk Factors

The Common Stock offered hereby involves a high degree of risk. See "Risk Factors."

Summary Financial Information

Globalstar Telecommunications Limited

	November 23, 1994	
	Actual	As Adjusted[1]
	(In thousands)	
Balance Sheet Data:		
Cash	$124	$ —
Investment in Globalstar, L.P.	—	282,000
Total Assets	124	282,000
Shareholders' Equity	124	282,000

(1) As adjusted to reflect the sale by the Company of 12,000,000 shares of Common Stock offered hereby at the assumed initial public offering price of $25.00 per share, the receipt of the estimated net proceeds therefrom, the purchase by the Company of 12,000,000 partnership interests in Globalstar and the redemption of the 12,000 shares held by Globalstar. See "Use of Proceeds" and "Capitalization."

Globalstar, L.P.

	March 23 to September 30, 1994[1]
	(In thousands)
Statement of Operations Data:	
Revenues	$ —
Operating Expenses	17,196
Interest Income	1,066
Net Loss	16,130

	September 30, 1994		
	Actual	Pro Forma[2]	As Adjusted[3]
		(In thousands)	
Balance Sheet Data:			
Cash and Cash Equivalents	$31,216	$223,776	$505,776
Working Capital	8,496	201,056	483,056
Globalstar System Under Construction[4]	32,653	32,653	32,653
Total Assets	68,248	260,808	542,808
Partners' Capital	45,528	238,088	520,088

(1) Does not include expenses of $18.4 million incurred by Loral and Qualcomm prior to March 23, 1994, for which they received a capital account credit or agreement for reimbursement in connection with the $275.0 million capital subscription and the commencement of Globalstar's operations on March 23, 1994. See Note 6 of Globalstar's Notes to Financial Statements.

(2) Gives pro forma effect to the receipt of capital subscription receivables of $77.5 million in November 1994 and the receipt of the remaining subscription receivables of $115.0 million due in March 1995.

(3) As adjusted to reflect the issuance and sale by Globalstar of 12,000,000 partnership interests to the Company in exchange for the estimated net proceeds of the Offerings.

(4) Consists primarily of design expenses for the satellite constellation and ground segment.

RISK FACTORS

An investment in the Common Stock offered hereby is speculative in nature and involves a high degree of risk. Prospective investors should carefully consider the following risk factors, in addition to the other information contained elsewhere in this Prospectus, in evaluating whether to make an investment in the Company prior to purchasing shares in the Offerings. The following describes risk factors related to both the Company and Globalstar.

Development Stage Company

Development Stage Company and Expectation of Continued Losses Globalstar has no operating history and is at an early stage of development. It has incurred cumulative net losses from inception through September 30, 1994, of approximately $16.1 million, and expects such losses to continue. Globalstar will require expenditures of significant funds for development, construction, testing and deployment before commercialization. Globalstar does not expect to launch satellites until the second half of 1997, to commence operations before 1998 or to achieve positive cash flow before 1999. There can be no assurance that Globalstar will achieve its objectives by the targeted dates. In addition, upon deployment and commencement of operations, management's failure to manage effectively the growth of Globalstar may have an adverse effect on the business of Globalstar. See "Business — Business Summary," "— Background and History" and "Management."

Additional Financing Requirements. Globalstar expects to require total capital of approximately $1.95 billion for capital expenditures, development and operating costs of the system through the Full Coverage Date. Through December 31, 1994, Globalstar expects to expend approximately $100 million in connection with the development of the Globalstar System. To finance such expenditures, Globalstar has obtained $275 million in equity capital commitments, approximately $200 million in vendor financing, and expects to receive net proceeds of approximately $282 million from the Offerings. Globalstar believes that its current capital and vendor financing commitments, and the net proceeds of the Offerings, aggregating $757 million, are sufficient to fund Globalstar's requirements through the first quarter of 1996. Globalstar expects to finance the remaining $1.2 billion of capital requirements through a combination of debt issuances, prepaid service connection fees received at or prior to the Full Coverage Date from service providers, service revenue from initial operations and royalties received from the sale of gateways and Subscriber Terminals. If there are unforeseen delays, or if technical or regulatory developments result in a need to modify the design of all or a portion of the Globalstar System, or if other additional costs are incurred, the risk of which is substantial in view of the early stage of Globalstar's development, additional capital will be required. The ability of Globalstar to achieve positive cash flow will depend upon the successful and timely design, construction and deployment of the Globalstar System, the successful marketing of its services by service providers and the ability of the Globalstar System to successfully compete against other satellite-based telecommunications systems, as to which there can be no assurance. If Globalstar fails to achieve positive cash flow by 1999, additional capital will be needed.

Although Globalstar believes it will be able to obtain the additional financing it requires, there can be no assurance that the capital required to complete the Globalstar System will be available from the public or private capital markets or from its existing partners on favorable terms or on a timely basis, if at all. A substantial shortfall in meeting its capital needs would prevent completion of the Globalstar System. See "Prospectus Summary — Sources and Uses of Capital by Globalstar."

Sources of Possible Delay and Increased Cost. Potential investors should be aware of the problems, delays, and expenses that may be encountered by an enterprise in Globalstar's stage of development, many of which may be beyond Globalstar's control. These may include, but are not limited to, problems related to technical development of the system, testing, regulatory compliance, manufacturing and assembly, the competitive and regulatory environment in which Globalstar will operate, marketing problems and costs and expenses that may exceed current estimates. Delay in the timely design, construction, deployment, commercial operation and achievement of positive cash flow of the Globalstar System could result from a variety of causes, including delays associated with the regulatory process in various jurisdictions, delay in the integration

regulation under the Investment Company Act of 1940, as amended (the "Investment Company Act"). See "— Investment Company Act Considerations," "The Company" and "Governance of Globalstar."

No Dividends, Holding Company Structure The Company has not declared or paid any dividends on its Common Stock, and Globalstar has not made any distributions to its partners, since their respective dates of inception. The Company and Globalstar do not currently anticipate paying any such dividends or distributions prior to Globalstar's Full Coverage Date and achievement of positive cash flow. Cash distributions by Globalstar may also be restricted by future debt covenants. The Company is a holding company, the sole asset of which is its partnership interests in Globalstar; the Company has no independent means of generating revenues. Globalstar will pay the Company's operating expenses related to Globalstar; such expenses are not expected to be material. As a general partner, the Company is jointly and severally liable with the other general partner for the debts and other obligations of Globalstar to the extent Globalstar is unable to pay such debts. To the extent permitted by applicable law and agreements relating to indebtedness, Globalstar intends to distribute to its partners, including the Company, its net cash received from operations, less amounts required to repay outstanding indebtedness, satisfy other liabilities and fund capital expenditures and contingencies (including funds required for design, construction and deployment of the second-generation satellite constellation). The Company intends to promptly distribute as dividends to its shareholders the distributions made to it by Globalstar, less any amounts reasonably required to be retained for the payment of taxes, for repayment of any liabilities and to fund contingencies. See "Dividend Policy."

Dilution. To the extent that Globalstar is unable to meet its additional financing requirements (currently estimated to be no less than $1.2 billion after giving effect to the Offerings) through debt financing, receipt of prepaid service connection fees, service revenues from initial operations and royalties received from the sale of gateways and Subscriber Terminals, it may need to sell additional partnership interests, thereby diluting the Company's ownership in Globalstar. In addition, such partnership interests may be issued at a price below that paid by the Company. If partnership interests are issued at a valuation lower than that paid by the Company, the extent of the Company's dilution would be increased. Globalstar does not presently contemplate selling any additional partnership interests to the public subsequent to the Offerings. However, Globalstar does expect to sell partnership interests to future service providers or other strategic parties and has had discussions with such parties. Such additional investments may be made at prices lower than those to be paid by the Company. See "Prospectus Summary -- Sources and Uses of Capital by Globalstar," "Dilution" and "Principal Shareholders of the Company and Principal Partners of Globalstar."

Investment Company Act Considerations. If the Company were to cease participation in the management of Globalstar, which would result if the Company were to undergo a change of control, its interest in Globalstar could be deemed an "investment security" for purposes of the Investment Company Act. In general, a person is an "investment company" if it owns investment securities having a value exceeding 45% of the value of its total assets. The Company's sole asset is its partnership interests in Globalstar. A determination that such investment was an investment security could result in the Company being held to be an investment company under the Investment Company Act and becoming subject to the registration and other requirements of the Investment Company Act. In that event, the Company might be required to reincorporate as a domestic U.S. corporation and would thereafter be subject to U.S. tax on its worldwide income, subject to any applicable foreign tax credits. Absent a change of control, Globalstar intends to conduct its operations so as to avoid being deemed an investment company under the Investment Company Act. See "The Company," "Governance of Globalstar" and "Taxation."

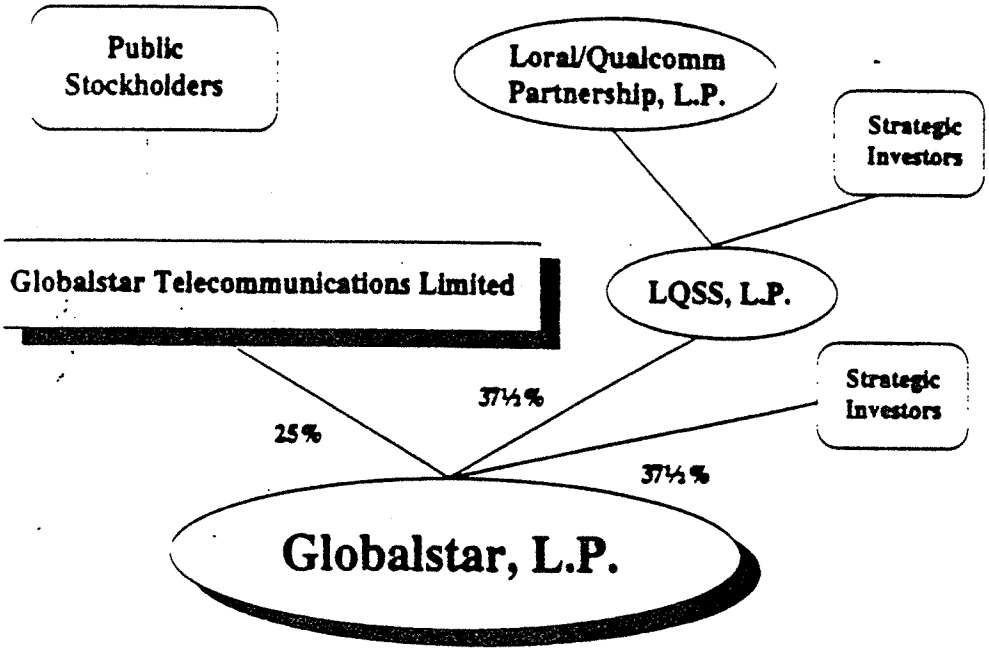
Rights of Shareholders under Bermuda Law. The Company is incorporated under the laws of the Islands of Bermuda. Principles of law relating to such matters as the validity of corporate procedures, the fiduciary duties of the Company's management, directors and controlling shareholders, and the rights of its shareholders, including those persons who will become shareholders of the Company in connection with the Offerings, are governed by Bermuda law and the Company's Memorandum of Association and Bye-Laws. Such principles of law may differ from those that would apply if the Company were incorporated in a jurisdiction in the United States. In addition, there is uncertainty as to whether the courts of Bermuda would

THE COMPANY

The Company was organized as a Bermuda company on November 23, 1994 and has its principal offices at Cedar House, 41 Cedar Avenue, Hamilton HM12, Bermuda (809) 295-2244. The Company's sole business will be acting as a general partner of Globalstar. Globalstar was founded by Loral and Qualcomm to design, construct and operate the Globalstar System. The Company will use the net proceeds of the Offerings to acquire an amount of partnership interests equal to the number of shares of Common Stock issued in the Offerings, representing a 25% equity interest in Globalstar (27.7%, if the Underwriters' over-allotment options are exercised in full), at a price per partnership interest equal to the offering price per share after deducting underwriting discounts and commissions and expenses.

Globalstar is a Delaware limited partnership whose managing general partner is LQSS; the general partner of LQSS is LQP, a Delaware limited partnership comprised of subsidiaries of Loral and Qualcomm. The general partner of LQP is a Loral subsidiary. Globalstar, LQSS and LQP are collectively referred to as the Globalstar Partnerships. Following the Offerings, the Company will become an additional general partner of Globalstar, with certain management rights and responsibilities as described below.

The following is a chart of Globalstar's ownership structure, giving effect to the Offerings and the investment of the proceeds thereof in Globalstar, but without giving effect to the Underwriters' over-allotment options:



SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED MARCH 31, 1994

Commission file number 1-4238

LORAL CORPORATION

600 Third Avenue
New York, New York 10016
Telephone: (212) 697-1105

State of incorporation: New York

IRS identification number: 13-1718360

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $.25 par value	New York Stock Exchange
7% Senior Debentures	New York Stock Exchange
8 3/8% Senior Debentures	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

9 1/8% Senior Debentures

The registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and has been subject to such filing requirements for the past 90 days.

No disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of April 29, 1994, 83,402,888 common shares were outstanding, and the aggregate market value of such shares (based upon the closing price on the New York Stock Exchange) held by non-affiliates of the registrant was approximately $2,997,888,888.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 1994 definitive proxy statement are incorporated by reference into Part III.

subordinated note and warrant issued in March 1992 by SS/L to Loral Aerospace for cash. In December 1992, the Lehman Partnerships purchased an additional 184.55 shares of Series S Preferred Stock from LAH for $12,197,588 in cash. As a result of these transactions, Loral has an effective 32.7% economic interest in SS/L. No gain or loss was realized by Loral in connection with the sale of any SS/L common stock or Series S Preferred Stock.

LAH and Loral Aerospace retain 51% of the outstanding common stock of SS/L, but have agreed not to cause SS/L to take certain actions without the concurrence of three, or in some cases, all of the SS/L directors appointed by the four European investors. Accordingly, the Company's investment in SS/L is classified as "Investment in affiliates," and the results of operations of SS/L are included in "Equity in net income (loss) of affiliate."

In March 1994, the Company and seven other partners made capital commitments totalling $275,000,000 to Globalstar, L.P., a limited partnership of which the Company is the managing general partner, which plans to design and operate a worldwide satellite-based telecommunications network. The Globalstar network, consisting of 48 low-earth-orbiting satellites, subject to receiving local licensing authority such as is pending before the Federal Communications Commission, will offer voice, data, paging and geolocation services to both handheld and fixed terminals. Total system cost through 1998, the expected in-service date, is expected to total approximately $1,800,000,000, which Globalstar intends to finance through sales of additional equity, advance payments from service providers, and debt financing.

At March 31, 1994, the Company has an effective 42% equity interest in Globalstar and has a total capital commitment of $187,000,000, of which $25,200,000 has been funded. The remaining commitment is expected to be funded in two installments, in September 1994 and March 1995. Through SS/L, the Company has an additional 2% indirect equity interest in Globalstar. By sales of its equity interest to other strategic partners and through subsequent Globalstar equity offerings, the Company expects to reduce its direct and indirect equity interest to approximately 25%.

Globalstar has awarded SS/L, the prime contract to design, construct and launch the satellite constellation. SS/L has and expects to award subcontracts to third parties, including other investors in Globalstar, for substantial portions of its obligations under the contract.

As managing general partner of Globalstar, the Company is entitled to receive a management fee determined in accordance with the partnership agreement.

3. CONTRACTS IN PROCESS:

Billings and accumulated costs and profits on long-term contracts, principally U.S. Government, comprise the following:

	MARCH 31,	
	1994	1993
	(IN THOUSANDS)	
Billed contract receivables	$ 423,894	$ 291,332
Unbilled contract receivables	1,981,156	1,130,915
Inventoried costs	557,259	571,655
	2,882,309	1,993,902
Less, unliquidated progress payments	(1,553,971)	(943,488)