



PUBLIC NOTICE

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DA 05-2639
September 30, 2005

AUTHORIZATIONS GRANTED

Applications of Loral Space & Communications Ltd. (DIP) for the Transfer of Control of Licenses and Authorizations Held by Loral Orion, Inc. (DIP), Loral SpaceCom Corporation (DIP) and Loral Skynet Network Services, Inc. (DIP) to Loral Space & Communications Inc.

IB Docket No. 05-233

By the Chief, International Bureau:

By this action, we grant Loral Space & Communications Ltd., Debtor-in-Possession ("Old Loral"), pursuant to Section 310(d) of the Communications Act of 1934, as amended (the "Act"),¹ approval to transfer control of space and earth station licenses held by its subsidiaries, Loral Orion, Inc. DIP ("Loral Orion"), Loral SpaceCom Corporation DIP ("Loral SpaceCom") and Loral Skynet Network Services, Inc. DIP ("Loral Skynet"), to Loral Space & Communications Inc. ("New Loral").² We also dismiss as moot, the application filed by CyberStar Licensee, L.L.C. ("CyberStar") to assign its space station authorizations to Loral Cyberstar L.L.C. ("Loral Cyberstar").³ Hereinafter, the transfer of control applications will be referred to as the "Applications" and the parties to the transaction will be referred to as the "Applicants."

On June 28, 2005, Applicants filed the Applications seeking Commission approval of the proposed transaction to permit Old Loral and certain of its subsidiaries to emerge from bankruptcy under Chapter 11 of the U.S. Bankruptcy Code.⁴ The Applications pertain to licenses for space and earth stations.⁵ On July

¹ 47 U.S.C. §310(d).

² See File Nos. SAT-T/C-20050628-00140, SAT-T/C-20050628-00141, SES-T/C-20050628-00837, SES-T/C-20050628-00838, and SES-T/C-20050628-00839.

³ We note that on September 26, 2005, the International Bureau released an order holding that the authorization to construct, launch, and operate the CyberStar 1 satellite (call sign S2163) at 115° W.L. and the CyberStar 2 satellite (call sign S2152) at 93° W.L. by CyberStar Licensee, L.L.C. in the frequency bands 18.55-18.8 GHz, 19.7-20.2 GHz, 28.35-28.6 GHz and 29.5-30.0 GHz was null and void under its own terms. See *CyberStar Licensee, LLC, Application for Authority to Construct, Launch, and Operate a Ka-band Satellite System in the Fixed Satellite Service*, Order, DA 05-2526 (*Int'l Bur. rel., Sept. 26, 2005*). Accordingly, we dismiss the assignment application filed by CyberStar Licensee, L.L.C. (SAT-ASG-2005-0628-00138) related to the assignment of call signs S2163 and S2152 to Loral Cyberstar L.L.C. as moot.

⁴ *Loral Space & Communications Ltd. et al.*, Consolidated Case No. 03-41710 (Chapter 11) (Bankr. S.D.N.Y.). The case was filed in the United States Bankruptcy Court for the Southern District of New York ("Bankruptcy Court").

18, 2005, the Commission placed the Applications on Public Notice.⁶ No oppositions or comments were filed on this transaction.

Under the proposed transaction, and in accordance with the Fourth Amended Joint Plan of Reorganization ("Reorganization Plan")⁷ filed by the Applicants in the Bankruptcy Court: (1) Loral Skynet will emerge from DIP status and become Loral Skynet Network Services, Inc. and the licenses and authorizations now held by Loral Skynet will be held by Loral Skynet Network Services, Inc.; (2) Loral SpaceCom will emerge from DIP status and become Loral SpaceCom Corporation and the licenses and authorizations now held by Loral SpaceCom will be held by Loral SpaceCom Corporation; and (3) Loral Orion will emerge from DIP status and will change its name to Loral Skynet Corporation and the licenses and authorizations now held by Loral Orion will be held by Loral Skynet Corporation.⁸ Hereinafter, Loral Skynet Network Services, Inc., Loral SpaceCom Corporation, and Loral Skynet Corporation will be referred to as the "New Loral Licensees."

Further, as proposed, the ownership structure of the New Loral Licensees will be as follows: Loral CyberStar, L.L.C.,⁹ a Delaware limited liability company, will be wholly owned by Loral Skynet Network Services, Inc., a Delaware corporation, which in turn, will be wholly owned by Loral SpaceCom Corporation, also a Delaware corporation. Loral SpaceCom Corporation, in turn, will be wholly owned by Loral Skynet Corporation, a Delaware corporation, which in turn, will be wholly owned by Loral Space & Communications Holding Corporation, a Delaware corporation. Loral Space & Communications Holding Corporation, in turn, will be wholly owned by New Loral. Thus, all of the issued common stock of the New Loral Licensees will be indirectly owned and controlled by New Loral. New Loral will control all policy decisions and all aspects of the day-to-day operations of the New Loral Licensees through its control of its wholly owned direct subsidiary, Loral Space & Communications Holding Corporation. New Loral, through certain of its subsidiaries and affiliates, including the New Loral Licensees, primarily will be involved in satellite services and manufacturing. Loral Space & Communications Holding Corporation will not conduct any operating business.

New Loral will issue common stock to the creditors of Old Loral and to creditors of certain of its subsidiaries. Certain investment funds managed by MHR Fund Management LLC ("MHR") will, in the aggregate, hold approximately 36 percent of the initially issued common stock of New Loral. Specifically, the MHR investment funds, each of which will hold a direct interest in New Loral, are: MHR Capital Partners LP; MHR Capital Partners (100) LP; MHR Institutional Partners LP; MHRM LP; MHRA LP; MHR Institutional Partners II LP; MHR Institutional Partners IIA LP. All of these investment funds are Delaware limited partnerships. The exact percentage of New Loral common stock that will be held by each of these entities will not be known with certainty until the claims resolution process set forth in the

⁵ See File Nos. SAT-T/C-20050628-00140, SAT-T/C-20050628-00141, SES-T/C-20050628-00837, SES-T/C-20050628-00838, SES-T/C-20050628-00839, and SAT-ASG-20050628-00138. File No. SAT-T/C-20050628-00139 was dismissed as moot, *see Public Notice, IB Docket No. 05-233, DA 05-2031 (Int'l Bur. rel. July 18, 2005)*; and File No. SAT-ASG-20050628-00138 is dismissed as moot as discussed herein. *See supra*. note 2..

⁶ The Commission placed the applications on public notice and established a pleading cycle. *See Public Notice, IB Docket No. 05-233, DA 05-2031 (Int'l Bur. rel. July 18, 2005)*.

⁷ On August 1, 2005, the Bankruptcy Court issued an order confirming the Fourth Amended Plan of Reorganization.

⁸ Under the Reorganization Plan, CyberStar Licensee, L.L.C. was to assign its licenses to Loral CyberStar L.L.C. However, because of the recent action taken by the International Bureau finding CyberStar Licensee L.L.C.'s Ka-band satellite system authorizations null and void, we find the request for approval to assign these authorizations to Loral CyberStar is moot. *See supra* note 2.

⁹ At this time, Loral CyberStar, L.L.C. holds no Commission licenses.

Reorganization Plan is completed. However, under no circumstances will the investment funds hold (or MHR Fund Management LLC indirectly control through its management of the investment funds) more than 39% of the initially issued New Loral common stock. No other entity will hold 10 percent or more of the voting stock of New Loral.

Loral Skynet Corporation will issue Series A 12% Non-Convertible Preferred Stock (the "Preferred Stock"), whereby MHR is expected to indirectly control, in the aggregate, approximately 38 percent of Loral Skynet Corporation's initially issued Preferred Stock through its management of the MHR investment funds that will hold the preferred shares. The holders of the Preferred Stock will not have voting rights over the day-to-day operations or policy decisions of Loral Skynet Corporation. The holders of a majority of the Preferred Stock will have the right to elect two additional directors to the board of directors of Loral Skynet Corporation (which otherwise will be composed of nine directors) in the event that Loral Skynet Corporation fails to pay the stated dividend on the Preferred Stock. Apart from the directors appointed by the holders of the Preferred Stock, if any, the organizational documents of New Loral and Loral Skynet Corporation provide that their respective boards of directors will be composed of the same individuals. In addition, so long as two-thirds of the Preferred Stock initially issued remains outstanding, the vote of the holders of a majority of the Preferred Stock will be required to approve: (i) amendments to the certificate of incorporation, mergers, and other similar corporate actions by Loral Skynet Corporation that would adversely affect the priority dividend rights or other rights of the Preferred Stock; and (ii) dividends paid to holders of Loral Skynet Corporation common stock.

MHR is a Delaware limited liability company whose primary business is investment management, which it conducts through the management of its investment funds. Dr. Mark Rachesky, M.D., a U.S. citizen, controls MHR and therefore will indirectly control the New Loral common stock and the Loral Skynet Corporation Preferred Stock that MHR will indirectly control through its management of the MHR investment funds. Dr. Rachesky also holds a direct ownership interest in certain of these funds. As a result of this ownership interest, Dr. Rachesky indirectly will hold a beneficial ownership interest in less than 2 percent of the initially issued New Loral common stock and the Loral Skynet Corporation Preferred Stock. In addition to this indirect beneficial ownership interest, Dr. Rachesky, through his ownership of certain affiliates of MHR, also will hold a majority interest in MHR's right to 20 percent of the profits accrued by the funds managed by MHR from their ownership interests in New Loral common stock and Loral Skynet Corporation Preferred Stock.

We find that approval of the proposed Applications will serve the public interest.¹⁰ As a preliminary matter, there is no evidence in the record to suggest that New Loral lacks the basic qualifications to be a Commission licensee.¹¹ Further, the record contains no evidence that the proposed transaction would harm competition in the relevant U.S. telecommunications markets.¹² Based on the record, we find that approval of the proposed transaction is likely to bring about public interest benefits by allowing Old Loral to emerge from bankruptcy and facilitating increased use of its assets; providing for an infusion of capital and stimulation of investment in the Loral satellite system; fostering competition in the fixed satellite service market by strengthening the commercial viability of Loral's satellite network; and ensuring continued provision of Loral's satellite services. In addition, the record indicates that the

¹⁰ 47 U.S.C. § 310(d).

¹¹ 47 U.S.C. § 308(b).

¹² Loral, through its various subsidiaries and affiliates, is engaged in the satellite services and manufacturing businesses. Its satellites are used by television and cable networks to broadcast video programming, and by communications service providers, resellers, corporate and government customers for broadband data transmission, internet services and other communications services. Loral is also in the business of designing and manufacturing satellites and satellite systems for commercial and government applications.

reorganization is designed to help preserve and revitalize Space Systems/Loral, Inc. in the design and manufacture of satellites and satellite systems for commercial and government applications, and might thereby benefit U.S. satellite manufacturing competition. Thus, upon consideration of the record, the International Bureau finds that grant of the Applications will serve the public interest, convenience and necessity.¹³

The transaction shall be completed within 60 days from the date of authorization.¹⁴ Within 30 days of consummation, the Commission shall be notified by letter of the date of consummation and the file numbers of the Applications involved in the transaction.¹⁵ Failure to comply with all relevant Commission rules and policies, and any specific condition of this grant, could result in the imposition of fines and forfeitures. Pursuant to section 1.103 of the Commission's rules, the grant is effective upon release of this Public Notice.¹⁶ Petitions for reconsideration under section 1.106 or applications for review under section 1.115 of the Commission's rules may be filed within 30 days of this Public Notice.¹⁷

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¹³ 47 U.S.C. § 310(d). See Appendix A attached to this Public Notice.

¹⁴ 47 C.F.R. § 25.119(f).

¹⁵ *Id.*

¹⁶ 47 C.F.R. § 1.103.

¹⁷ 47 C.F.R. §§ 1.106, 1.115.

**APPENDIX A
(IB Docket No. 05-233)**

<u>File Numbers</u>	<u>(Previous) Licensee</u>	<u>Call Signs</u>	<u>New Licensee</u>
SAT-T/C-20050628-00140	Loral Orion, Inc. DIP	F-2, S2462, S2357, S2670	Loral Skynet Corporation
SAT-T/C-20050628-00141	Loral Orion, Inc. DIP	S2344, S2383, S2219, S2218, S2161	Loral Skynet Corporation
SES-T/C-20050628-00837	Loral Skynet Network Services, Inc. DIP	E000127 (Lead) (45 total)	Loral Skynet Network Services, Inc.
SES-T/C-20050628-00838	Loral SpaceCom Corporation DIP	E000584 (Lead) (36 total)	Loral SpaceCom Corporation
SES-T/C-20050628-00839	Loral SpaceCom Corporation DIP	E020101, E030029	Loral SpaceCom Corporation

NEW OWNERSHIP STRUCTURE

