Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of	)	
	)	
Applications of	)	
Loral Space & Communications Ltd. (DIP)	)	IB Docket No. 05-233
for the Transfer of Control of Licenses	)	DA 05-2639
and Authorizations Held by Loral Orion, Inc. (DIP),	)	
Loral SpaceCom Corporation (DIP)	)	
and Loral Skynet Network Services, Inc. (DIP)	)	
to Loral Space & Communication Inc.	)	

PETITION FOR RECONSIDERATION AND REQUEST FOR INVESTIGATION

On behalf of Phillip Ivaldy, Huntington Beach, California and other shareholders of Loral Space & Communications Ltd. (DIP), this Petition for Reconsideration and/or Review and Request for Investigation ("Petition") is filed pursuant to Rules 1.106. In support of this Petition, the following is shown.

Standing

1. Mr. Ivaldy is a shareholder in Loral Space & Communications Ltd., Debtor-in Possession ("Old Loral") and represents his interests and that of other common shareholders in Old Loral (hereinafter referred to as "Petitioners").

2. On September 30, 2005, the International Bureau ("Bureau") granted its approval to transfer control of space and earth station licenses held by Old Loral's 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").

3. As will be shown more fully herein, the Petitioners interests are adversely affected by the International Bureau's approval of the transfer applications (the "Applications"). Petitioners therefore have standing to file this Petition.

Background

4. Petitioner Ivaldy is a retired aerospace planner and has extensive knowledge in aerospace contracts, aerospace RFPs and RFP processes, aerospace leases and related operations and transactions. Based on this knowledge, when Old Loral filed for bankruptcy, Petitioners actively sought to determine the value of Loral's actual assets, the extent of liabilities, the status of active contracts, and the nature of certain business affairs it was conducting or abandoning. The purpose was to set forth a truthful and accurate picture of Old Loral's Chapter 11 bankruptcy petition and the need for an evaluation of the assets, in particular, the value of Old Loral's contracts. In other industries, contracts directly affect the value of a company, but in the aerospace industry they can be even more valuable and can even be a critical factor for determining whether the aerospace company is even solvent. For Old Loral, contracts with government agencies and private industry and proposals for future satellite sales and leases are generally the most important factors by which profitability is determined.

5. Petitioners efforts to determine the value of the assets, and in particular the contracts that existed were frustrated by Old Loral's refusal to comply with a number of requests for production of documents because it did not

want to provide an accurate picture of its assets. In fact, on a number of occasions, Old Loral provided misleading or false information. For example, Petitioners sought to inspect Old Loral proposals, request for proposals, contracts and leases. (See, Exhibit 1). The purpose in seeking these documents was to help determine when Old Loral and its subsidiaries', Loral Spacecom, Loral Skynet, and Loral Orion liabilities became greater than their assets. In other words, it is critical to the bankruptcy process that it be known when Old Loral became insolvent. The existing bankruptcy record shows that Old Loral filed for bankruptcy protection as a precondition for the sale of some satellites to Intelsat. The record does not show when Old Loral's liabilities became greater than its assets.

6. Despite Petitioners efforts in the bankruptcy proceeding, Old Loral did not provide the necessary and relevant documents for even a single satellite. Instead, Old Loral provided a small fraction of documents for a small number of satellites. It was clear that Old Loral engaged in selective production of documents and ignored the list of documents it had been requested to produce. The documents that were produced were useless for determining the value of Old Loral assets or for determining when Old Loral became insolvent.

7. Petitioner's concerns about the solvency of the Applicants also turns on the fact that before the filing for bankruptcy protection, Old Loral guaranteed several hundred million dollars worth of senior notes issued by its subsidiary, Loral Orion. In this case, Old Loral used its assets as collateral to guaranty Loral Orion's senior notes. After the bankruptcy filing, Old Loral's strategy was to use its

remaining assets to support the guaranty. The consequence of this strategy was that the entire value of Old Loral's common stock would be wiped out. In fact, Old Loral's position is that the guaranty wiped out Old Loral assets and therefore there is no value in Old Loral common shares. These transactions resulted in Old Loral continuing to assume the guaranty thereby insuring that the Old Loral common shareholders are completely wiped out. As the Bureau's Public Notice itself sets forth, New Loral will issue common stock to the creditors of Old Loral and to creditors of certain of its subsidiaries, including Loral Orion creditors. As a consequence of Old Loral's pledge of assets for the guarantee of its subsidiary's notes, Petitioners, as Old Loral shareholders, would end up subsidizing Orion senior notes. This raises two critical questions:

A. Whether Old Loral was made insolvent by the guaranty of Orion's senior notes and used the bankruptcy process to cover up its true intent to eliminate the value of Old Loral's common stock in order to issue New Loral stock?

B. Whether the bankruptcy process was corrupted by the use of opinions and guesstimates of Old Loral paid experts rather than by empirical evidence?

8. Old Loral has responded to these questions, but its responses were based on the same theoretical and hypothetical constructs, *viz*, comparative company analyses, comparative M&A transaction analysis and a discounted cash flow analysis, as opposed to a competent and complete analysis of Old Loral's actual

assets and liabilities. As a result there has never been a proper determination of what Old Loral's assets really are or were. Importantly, because all that was presented were theoretical constructs arguments composed of projected estimates by paid Old Loral "experts," a critical issue is whether Old Loral's insolvency occurred as a result of the guaranty of Orion senior notes. Moreover, the indisputable fact that remains is that the guaranty has never been examined.

9. Still other questionable transactions have occurred that cause concern. When Old Loral submitted a motion to the court for approval of the assumption of an amended executory contract between Loral Space Systems and Mobile Broadcasting Corporation Petitioners suspected that a fraudulent conveyance was involved. Petitioners opposed Old Loral's motion and quickly thereafter Old Loral withdrew its motion. (See, Exhibit 2).

10. The failure to disclose Old Loral's assets also prevented Petitioners from inspecting its contracts, e.g., those involving Terrestar, ICO and government agencies. The importance of inspecting the Terrestar and ICO satellite contracts is necessary because, based on available data, they are estimated to have a value of over $250,000,000. When these contracts were brought up, at first, Old Loral denied that more than one satellite contract existed. But, when information was presented that contradicted this assertion, Old Loral responded that any contracts for other satellite(s) were merely add-ons to a single contract. Additional background on these satellites, familiar to the FCC, is set forth in Exhibits 3 and 4.

To date, Old Loral has refused to provide relevant and material documentation on the Terrestar and ICO satellites.

11. After the Bankruptcy Court approved the Old Loral Reorganization Plan, Petitioner Phil Ivaldy filed an appeal with the Federal District Court for the Southern District of New York. In defense to that appeal, Old Loral provided information that directly contradicted assertions Old Loral had made to the Bankruptcy Court in its Confirmation Hearing. Old Loral submitted a letter to the court dated September 15, 2005, (See Exhibit 5, top of page 3) stating that Petitioner Ivaldy's (the appellant) claim that Loral Space Systems/Loral ("SS/L"), one of the Debtors, will "run out of operating funds in October 2005" was simply erroneous. Before the bankruptcy court however, just the opposite was asserted, what led to confirming the Reorganization Plan was the assertion that come October, SS/L would run out of cash.

12. Other facts exist that raise concerns about possible other fraudulent conveyances. For example, prior to Old Loral seeking bankruptcy protection, Old Loral, under the leadership of its chairman, Bernie Schwartz, sold its Air Craft Braking assets to K&F Industries. At the time of the transaction, Mr. Schwartz owned fifty percent (50%) of K&F Industries. Lehman Brothers owned the other fifty percent. It appears the transaction was financed largely by a loan against the assets being transferred. Later, Petitioners discovered facts that K&F Industries had turned around and sold Air Craft Braking assets yet again. These facts also suggest that at some point, Mr. Schwartz sold his fifty percent stake in K&F

Industries to Lehman Brothers. In any event, either directly or indirectly, Mr. Schwartz received fifty percent of the $1,060,000,000 sale by K&F industries. In other words, it appears that Mr. Schwartz personally received $530,000,000 from the sale by K&F Industries of assets that once belonged to Old Loral.

Public Interest Considerations

13. In its Public Notice the Bureau states –

> 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…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 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. (Public Notice, DA 05-2639, September 30, 2005 at pp. 3-4).

14. Based on the information set forth herein and on additional information the Petitioners are investigating, none of which has previously been presented to the FCC, a re-examination of the approval for the transfer of licenses from Old Loral to New Loral is requested. The facts presented in this paper indicate that a false picture of the assets has been presented, that an indication of an alleged fraudulent conveyance may in fact have precipitated a state of insolvency and that there has been no empirical evidence in the record of when liabilities became greater than assets leads to the rational conclusion that until Old Loral

presents a clear picture of its Chapter 11 bankruptcy filing it would not be in the public interest to conclude that New Loral has the basic qualifications to be a commission licensee. If Old Loral truly seeks to become New Loral then it is in their interest to quickly present empirical evidence to the FCC. This approach would greatly decrease the need to conduct an extensive investigation. Additionally, Petitioners submit that the manipulation of assets and the transactions by which this occurred warrants a finding that New Loral is not qualified to be a Commission satellite licensee. That same manipulation also portends a management that has not yet demonstrated that it can oversee operations that promise to provide the benefits of facilitating increased use of assets; providing for 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; or ensuring continued provision of Loral's satellite services. Rather, such manipulation portends sharp practices that will distort these resources for the unwarranted personal financial gain of a few Old Loral executives who will remain at the helm of New Loral.

15. This is hardly a speculative concern. The Old Loral stockholders, under extremely difficult conditions, collected the facts presented in this paper.

16. If the facts presented to the FCC are misleading, inaccurate or false, then consummation of this transfer transaction will keep the Commission and the public from knowing the true value of New Loral's assets upon which New Loral will issue the stock of the New Loral licensees. It will also keep the Commission

and the public from knowing whether the stock that New Loral will issue to creditors of Old Loral and to creditors of certain of its subsidiaries will be the result of possible fraudulent conveyances.

17. The Bureau's Notice expressly states that petitions for reconsideration or applications for review may be filed within 30 days of its Public Notice. This Petition meets that deadline.

18. In addition, Petitioners did not have the facts they have now at the time the original filings were due under the Commission's Public Notice. Rule 1.106(b)(2)(i). For example, it was not until September 15, 2005 that Petitioners became aware that representations would be made to the court considering the appeal of the bankruptcy court's action that would contradict representations made to the bankruptcy court that were relied upon by the bankruptcy court when it ordered the approval of Old Loral's Reorganization Plan. In addition, Petitioners were unaware of the Commission's knowledge of the ICO and Terrestar Satellites might relate to the applications at issue. Rule 1.106(b)(2)(ii). Indeed, because there has not been a proper disclosure of the internal documents of Old Loral and its subsidiaries there are still facts that are relevant to the qualifications of New Loral to be a Commission licensee that are unknown and need to be discovered and evaluated in the public interest. Petitioners are attempting to learn if Old Loral, in addition to guaranteeing Orion senior notes, has provided guaranties to other entities. In this regard, Petitioners submit that consideration of the facts Petitioners have presented if combined with information gathered from an

investigation initiated at this time would provide the necessary facts about Old Loral's true state of affairs and whether Old Loral has engaged in misleading, false and inaccurate presentations. Such an investigation would serve the public interest. Rule 1.106(c)(2).

19. Since Old Loral has sought Chapter 11 bankruptcy protection, the Old Loral Stockholders have attempted to obtain empirical evidence that would document that Old Loral meets the basic qualification to be a commission licensee even if it meant that the value of their Old Loral stock would be wiped out. As the record clearly shows, Old Loral has not behaved in the public interest. Here, the whole of public interest, Old Loral Stockholders and New Loral Stockholders is of greater concern than the worth of just Old Loral stock. Specifically, Old Loral has not provided the following basic records:

A. Old Loral has not provided empirical evidence to document when Old Loral liabilities became greater than its assets.

B. Old Loral has not provided a single Request For Proposal (RFP). Of great interest are the RFP to government agencies, Terrestar, ICO, Boeing/NASA and the MUOS project.

C. Old Loral has not provided a single proposal to government agencies, Terrestar, ICO, Boeing/NASA and the MUOS project.

D. Old Loral has not provided any records concerning any work that may or may not have been awarded to Orion either before or after the guarantee of Orion senior notes.

E. Old Loral has not provided any records concerning any work that may or may not have been awarded by Orion to Old Loral either before or after the guarantee of Orion senior notes.

F. Old Loral has not provided empirical evidence to show Orion's state of financial affairs before and after the guarantee of Orion senior notes. All that has been presented are the guesstimates of Old Loral paid experts.

G. Old Loral has not provided any empirical evidence of any guarantees it has provided to entities besides the guarantee of Orion senior notes.

The Old Loral stockholders have attempted to obtain the records of the items noted above from the bankruptcy court to no avail. The petitioner has attempted to serve on an official committee but the Trustee denied that request. The petitioner has attempted to serve as an ad-hoc member of a committee but the Trustee denied that request. The petitioner has attempted to inspect and investigate the assets of Old Loral in accordance to Chapter 11 bankruptcy procedures and in accordance to Rule 2004.

RULE 2004 – EXAMINATION ON MOTION

A. On motion of any party on interest, the Court may order the examination of any entity.

B. Scope of examination of an entity under the rule or the debtor under Section 343 of the code may relate only to the acts, conduct or property or the liabilities and financial condition of the debtor or any matter

which may affect the administration of the debtors estate or the debtor right to discharge.

When the bankruptcy court denied the Old Loral Stockholders right to examine Old Loral records and assets it took away from the Old Loral Stockholders all the statutory rights provided by the United States Congress. As such, the Old Loral stockholders have not been unable to receive any benefits or exercise any rights from two of the three branches defined in the Constitution of the United States. Now the Old Loral Stockholders are asking the Federal Communications Commission, a department of the Executive branch of the United States, to investigate clearly defined problems relating to Old Loral's failure to provide necessary documents to show when its liabilities became greater than its assets, what the state of affairs was when it provided a guarantee of the Orion senior notes and what the value of its assets in satellite contracts are. It is in the public interest to know that the United States government, in at least one branch, is able and willing to apply its great powers to assure conformance to Chapter 11 bankruptcy statutes.

20. It is therefore respectfully requested that the Bureau re-evaluate its grant and open an investigation into the financial matters and actions of the Applicants not previously presented to the Bureau.

Dated: October 31, 2005

Respectfully submitted,

By _____

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