MICROSTRATEGY INC
Form PRER14A
June 18, 2001

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant [X]

Filed by a Party other than the Registrant [_]

Check the appropriate box:

[X] Preliminary Proxy Statement

[_]Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

[_] Definitive Proxy Statement

[_] Definitive Additional Materials

[_] Soliciting Material Pursuant to sec.240.14a-11(c) or sec.240.14a-12

MICROSTRATEGY INCORPORATED
(Name of Registrant as Specified In Its Charter)

n/a

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X]No fee required.

[_]Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

[_] Fee paid previously with preliminary materials.

[_]Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3)Filing Party:

4) Date Filed:

June 29, 2001

Dear MicroStrategy Stockholder:

You are cordially invited to our 2001 Annual Meeting of Stockholders on Monday, July 16, 2001, beginning at 9:00 a.m., local time, at the Marriott Dulles Airport, 45020 Aviation Drive, Dulles, Virginia 20166. This will be MicroStrategy's third Annual Meeting of Stockholders since our initial public offering in June 1998.

The enclosed notice of annual meeting sets forth the matters that will be presented at the meeting, which are described in more detail in the enclosed proxy statement. The Board of Directors recommends that stockholders vote "FOR" these proposals.

A reception for all stockholders will be held immediately following the meeting. We look forward to seeing you there.

Very truly yours,

Michael J. Saylor
Chairman of the Board and Chief
Executive Officer

[LOGO]

1861 International Drive
McLean, Virginia 22102

Notice of Annual Meeting of Stockholders to

be Held on Monday, July 16, 2001

The Annual Meeting of Stockholders (the "Annual Meeting") of MicroStrategy Incorporated, a Delaware corporation (the "Company"), will be held at the Marriott Dulles Airport, 45020 Aviation Drive, Dulles, Virginia 20166 on Monday, July 16, 2001 at 9:00 a.m., local time, to consider and act upon the following matters:

1. To elect eight (8) directors for the next year;

2. To approve the Amended and Restated 1999 Stock Option Plan to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 11,000,000 to 23,500,000 shares;

3. To approve the Amended and Restated 1997 Stock Option Plan for French Employees to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 600,000 to 800,000 shares;

4. To approve the issuance of shares of Class A Common Stock upon

conversion of shares of Series A Convertible Preferred Stock and as dividends thereon;

5. To approve the issuance of shares of Class A Common Stock (i) upon exchange of shares of Series A Convertible Preferred Stock and (ii) upon conversion of shares of Series B Convertible Preferred Stock, Series C Convertible Preferred Stock, Series D Convertible Preferred Stock and Series E Convertible Preferred Stock to be issued in exchange for shares of Series A Convertible Preferred Stock (including any shares of Class A Common Stock issuable in lieu of cash dividends thereon);

6. To approve the issuance of shares of Class A Common Stock upon conversion of 7 1/2% Series A Unsecured Notes to be issued to class members pursuant to the settlement agreement among the Company, certain of the Company's officers and directors and plaintiffs' counsel, approved by the United States District Court for the Eastern District of Virginia on April 2, 2001;

7. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent auditors for the current fiscal year; and

8. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Stockholders of record at the close of business on May 17, 2001 will be entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. The stock transfer books of the Company will remain open.

By Order of the Board of Directors,

Sanju K. Bansal,
Vice Chairman, Executive Vice President, Chief Operating Officer and Secretary

McLean, Virginia

June 29, 2001

A STOCKHOLDER MAY OBTAIN AN ADMISSION TICKET TO THE MEETING BY IDENTIFYING HIMSELF OR HERSELF AT THE MEETING AS A STOCKHOLDER AS OF THE RECORD DATE. FOR A RECORD OWNER, POSSESSION OF A PROXY CARD WILL BE ADEQUATE IDENTIFICATION. FOR A BENEFICIAL-BUT-NOT-OF-RECORD OWNER, A COPY OF A BROKER'S STATEMENT SHOWING SHARES HELD FOR HIS OR HER BENEFIT ON MAY 17, 2001 WILL BE ADEQUATE IDENTIFICATION.

WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE AND SIGN THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED ENVELOPE IN ORDER TO ENSURE REPRESENTATION OF YOUR SHARES AT THE ANNUAL MEETING. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

MICROSTRATEGY INCORPORATED
1861 International Drive
McLean, Virginia 22102

Proxy Statement for the Annual Meeting of Stockholders

to be Held on Monday, July 16, 2001

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of MicroStrategy Incorporated (the "Company") for use at the Annual Meeting of Stockholders (the "Annual Meeting") to be held on Monday, July 16, 2001 at the Marriott Dulles Airport, 45020 Aviation Drive, Dulles, Virginia 20166 at 9:00 a.m., local time, and at any adjournment of the Annual Meeting. All executed proxies will be voted in accordance with the stockholders' instructions, and if no choice is specified, executed proxies will be voted in favor of the matters set forth in the accompanying Notice of Meeting. Any proxy may be revoked by a stockholder at any time before its exercise by delivery of written revocation or a subsequently dated proxy to the Secretary of the Company or by voting in person at the Annual Meeting.

On May 17, 2001, the record date for the determination of stockholders entitled to vote at the Annual Meeting (the "Record Date"), there were outstanding and entitled to vote an aggregate of 31,155,338 shares of Class A Common Stock of the Company, par value $0.001 per share ("Class A Common Stock"), and an aggregate of 50,975,642 shares of Class B Common Stock of the Company, par value $0.001 per share ("Class B Common Stock," and together with the Class A Common Stock, the "Common Stock"). Each share of Class A Common Stock entitles the record holder thereof to one vote on each of the matters to be voted on at the Annual Meeting and each share of Class B Common Stock entitles the record holder thereof to ten votes on each of the matters to be voted on at the Annual Meeting.

The Company's Annual Report to Stockholders for the fiscal year ended December 31, 2000 ("Fiscal Year 2000") is being mailed to stockholders, along with these proxy materials, on or about June 29, 2001.

Votes Required

The holders of a majority of the votes entitled to be cast by the shares of Common Stock outstanding and entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock represented in person or by proxy (including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval) will be counted for purposes of determining whether a quorum is present at the Annual Meeting.

The affirmative vote of the holders of a plurality of the votes cast by the holders of Common Stock voting on the matter is required for the election of directors. For each other matter voted upon at the Annual Meeting, the affirmative vote of a majority of the votes cast by the holders of Common Stock voting on the matter is required for approval.

Shares which abstain from voting as to a particular matter, and shares held in "street name" by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to a particular matter, will not be counted as votes in favor of such matter, and will also not be counted as shares voting on such matter. Accordingly, abstentions and "broker non-votes" will have no effect on the voting on matters that come before the Annual Meeting.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of February 28, 2001 unless otherwise indicated, the beneficial ownership of the Common Stock of the Company by (i) each person known by the Company to beneficially own more than 5% of any class of the Company's Common Stock, (ii) each director or nominee for director, (iii) each of the executive officers (or former executive officers) named in

the Summary Compensation Table set forth under the caption "Executive Compensation" below, and (iv) all directors and executive officers as a group:

Beneficial Owner(1)	Number of Shares Beneficially Owned(2)(3)	Percentage of Class Outstanding(3)(4)
Michael J. Saylor(5)	43,534,865	53.4%
Sanju K. Bansal(6)	8,698,958	10.7
Eric F. Brown(7)	100,000	*
Jonathan F. Klein(8)	68,946	*
Stephen S. Trundle(9)	452,878	*
Eric D. Driscoll(10)	17,274	*
Joseph P. Payne(11)	30,936	*
Frank A. Ingari(12)	45,000	*
Jonathan J. Ledecky(13)	38,000	*
Ralph S. Terkowitz(14)	38,000	*
John W. Sidgmore(15)	18,000	*
F. David Fowler(16)	0	*
Stuart B. Ross(16)	0	*
Thomas P. Spahr(17)	1,582,242	2.0
Capital Group International, Inc.(18)	1,626,900	2.0
Citadel Investment Group, L.L.C.(19)	2,664,845	3.3
John Hancock Financial Services, Inc.(20)	1,549,000	1.9
Nevis Capital(21)	2,474,850	3.1
All executive officers and directors as a group (9 persons)(2)	52,944,647	64.8

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* Less than 1%

(1) Each person named above (except as otherwise indicated in the footnotes below) has an address in care of MicroStrategy Incorporated, 1861 International Drive, McLean, Virginia 22102.

(2) The shares of the Company listed in this table are shares of Class B Common Stock, unless otherwise indicated or set forth in the footnotes to this table. Shares held by the directors and executive officers as a group include options to purchase 363,300 shares of Class A Common Stock of the Company that are exercisable within 60 days after February 28, 2001.

(3) The inclusion of any shares of Common Stock deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. In accordance with the rules of the SEC, each stockholder is deemed to beneficially own any shares subject to stock options that are currently exercisable or exercisable within 60 days after February 28, 2001, and any reference below to shares subject to outstanding stock options held by the person in question refers only to such stock options.

(4) The number of shares deemed outstanding as of February 28, 2001 includes (i) 30,313,030 shares of Class A Common Stock and (ii) 51,165,624 shares of Class B Common Stock, plus any shares of Common Stock subject to outstanding stock options exercisable by the person in question within 60 days after February 28, 2001.

(5) Mr. Saylor's holdings of Common Stock consist of (i) 39,257,110 shares of Class B Common Stock held beneficially by Mr. Saylor as a result of

his beneficial ownership in Alcantara LLC and 400,000 shares of Class B Common Stock held in trust (an aggregate of approximately 77.5% of the Class B Common Stock outstanding), and (ii) 3,030,000 shares of Class A Common Stock held beneficially by Mr. Saylor as a result of his beneficial ownership in Alcantara LLC, 535,155 shares of Class A Common Stock held in his own name and 312,600 shares of Class A Common Stock held beneficially by Mr. Saylor in a foundation (an aggregate of approximately 12.8% of the Class A Common Stock outstanding).

(6) Mr. Bansal's holdings of Common Stock consist of (i) 8,059,681 shares of Class B Common Stock held beneficially by Mr. Bansal as a result of his beneficial ownership in Shangri-La LLC, 439,046 shares of Class B Common Stock held in trust and 16,954 shares of Class B Common Stock held in his own name (an aggregate of approximately 16.6% of the Class B Common Stock outstanding), and (ii) 19,000 shares of Class A Common Stock held beneficially by Mr. Bansal as a result of his beneficial ownership in Shangri-La LLC, 106,277 shares of Class A Common Stock held in his own name and 58,000 shares of Class A Common Stock held beneficially by Mr. Bansal in a foundation (an aggregate of approximately 0.6% of the Class A Common Stock outstanding).

(7) Mr. Brown's holdings of the Common Stock consist of options exercisable within 60 days after February 28, 2001 for 100,000 shares of Class A Common Stock.

(8) Mr. Klein's holdings of Common Stock consist of 42,646 shares of Class A Common Stock and options exercisable within 60 days after February 28, 2001 for 26,300 shares of Class A Common Stock.

(9) Mr. Trundle's holdings of Common Stock consist of 230,878 shares of Class A Common Stock, 100,000 Shares of Class B Common Stock (approximately 0.002% of the Class B common stock outstanding), and options exercisable within 60 days after February 28, 2001 for 122,000 shares of Class A Common Stock. Mr. Trundle resigned from the Company on April 10, 2001.

(10) Mr. Driscoll's holdings of Common Stock consist of 15,274 shares of Class A Common Stock and options exercisable within 60 days after February 28, 2001 for 2,000 shares of Class A Common Stock. Mr. Driscoll ceased serving in the capacity of an executive officer of the Company on November 29, 2000.

(11) Mr. Payne's holdings of Common Stock consist of 936 shares of Class A Common Stock and options exercisable within 60 days after February 28, 2001 for 30,000 shares of Class A Common Stock. Mr. Payne ceased serving in the capacity of an executive officer of the Company on November 29, 2000 and resigned from the Company on February 28, 2001.

(12) Mr. Ingari's holdings of Common Stock consist of 20,000 shares of Class A Common Stock and options exercisable within 60 days after February 28, 2001 for 25,000 shares of Class A Common Stock.

(13) Mr. Ledecky's holdings of Common Stock consist of 2,000 shares of Class A Common Stock and options exercisable within 60 days after February 28, 2001 for 36,000 shares of Class A Common Stock.

(14) Mr. Terkowitz's holdings of Common Stock consist of 2,000 shares of Class A Common Stock held beneficially by Mr. Terkowitz in trust and

options exercisable within 60 days after February 28, 2001 for 36,000 shares of Class A Common Stock.

(15) Mr. Sidgmore's holdings of Common Stock consist of options exercisable within 60 days after February 28, 2001 for 18,000 shares of Class A Common Stock.

(16) Mr. Fowler and Mr. Ross were each elected to the Company's Board of Directors on June 7, 2001. Information regarding the number of shares of Common Stock beneficially owned by Mr. Fowler and Mr. Ross is as of June 7, 2001.

(17) Mr. Spahr's holdings of Common Stock consist of 1,364,000 shares of Class B Common Stock (approximately 2.7% of the Class B Common Stock outstanding), 139,000 shares of Class A Common Stock in his own name, 50,000 shares of Class A Common Stock held beneficially by Mr. Spahr in trust, 19,000 shares of Class A Common Stock held beneficially by Mr. Spahr in a foundation and options exercisable within 60 days after February 28, 2001 for 10,242 shares of Class A Common Stock.

(18) Information regarding the number of shares of Common Stock beneficially owned by Capital Group International, Inc. includes shares beneficially owned by a wholly-owned subsidiary, Capital Guardian Trust Company, and is based on the most recent Schedule 13G of such entities received by the Company, which reported such ownership as of December 29, 2000. All shares beneficially held by Capital Group International consist of Class A Common Stock (approximately 5.7% of the Class A Common Stock outstanding as of December 29, 2000). The address of Capital Group International, Inc. is 11100 Santa Monica Boulevard, Los Angeles, California 90025.

(19) Information regarding the number of shares of Common Stock beneficially owned by Citadel Investment Group, L.L.C. includes shares beneficially owned by affiliates Citadel Limited Partnership, GLB Partners, L.P., Wellington Partners Limited Partnership, Kensington Global Strategies Fund, Ltd., Wingate Capital Ltd., Fisher Capital Ltd. and Kenneth Griffin, and is based on the most recent Schedule 13G of such

entities and individual received by the Company, which reported such ownership as of December 31, 2000. All shares beneficially held by such entities and individual consist of Class A Common Stock (approximately 8.8% of the Class A Common Stock outstanding as of December 31, 2000). The address of Citadel Investment Group, L.L.C. is 225 W. Washington, 9th Floor, Chicago, Illinois 60606.

(20) Information regarding the number of shares of Common Stock beneficially owned by John Hancock Financial Services, Inc. includes shares beneficially owned by affiliates John Hancock Life Insurance Company, John Hancock Subsidiaries, Inc., The Berkeley Financial Group, Inc. and John Hancock Advisers, Inc., and is based on the most recent Schedule 13G of such entities received by the Company, which reported such ownership as of December 31, 2000. All shares beneficially held by such entities and individual consist of Class A Common Stock (approximately 5.4% of the Class A Common Stock outstanding as of December 31, 2000). The address of John Hancock Financial Services, Inc. is John Hancock Place, P.O. Box 111, Boston, Massachusetts 02117.

(21) Information regarding the number of shares of Common Stock beneficially

owned by Nevis Capital includes shares beneficially owned by affiliates Jon C. Baker and David R. Wilmerding, III, and is based on the most recent Schedule 13G of such entity and individuals received by the Company, which reported such ownership as of December 31, 2000. All shares beneficially held by such entity and individuals consist of Class A Common Stock (approximately 8.6% of the Class A Common Stock outstanding as of December 31, 2000). The address of Nevis Capital is 1119 St. Paul Street, Baltimore, Maryland 21202.

Executive Officers of the Company

The Company's executive officers and their ages and positions as of May 31, 2001 are as follows:

Name	Age	Title
Michael J. Saylor.......	36	Chairman and Chief Executive Officer
Sanju K. Bansal.........	35	Vice Chairman, Executive Vice President and Chief Operating Officer
Eric F. Brown...........	35	President and Chief Financial Officer
Jonathan F. Klein.......	34	Vice President, Law and General Counsel
Jeffrey A. Bedell.......	32	Vice President, Technology and Chief Technology Officer

Set forth below is certain information regarding the professional experience of each of the above-named persons.

Michael J. Saylor has served as chief executive officer and chairman of the Board of Directors since founding MicroStrategy in November 1989, and as president from November 1989 to November 2000. Prior to that, Mr. Saylor was employed by E.I. du Pont de Nemours & Company as a Venture Manager from 1988 to 1989 and by Federal Group, Inc. as a consultant from 1987 to 1988. Mr. Saylor received an S.B. in Aeronautics and Astronautics and an S.B. in Science, Technology and Society from the Massachusetts Institute of Technology.

Sanju K. Bansal has served as executive vice president and chief operating officer since 1993 and was previously vice president, consulting since joining MicroStrategy in 1990. He has been a member of the Board of Directors of MicroStrategy since September 1997 and has served as vice chairman since November 2000. Prior to joining MicroStrategy, Mr. Bansal was a consultant at Booz Allen & Hamilton, a worldwide technical and management consulting firm, from 1987 to 1990. Mr. Bansal received an S.B. in Electrical Engineering from the Massachusetts Institute of Technology and an M.S. in Computer Science from The Johns Hopkins University.

Eric F. Brown has served as president since November 2000 and chief financial officer since August 2000. Mr. Brown originally joined the Company as chief financial officer of the Company's Strategy.com subsidiary in February 2000. Prior to that, Mr. Brown served as division chief financial officer and then chief operating officer of Electronic Arts from October 1998 until February 2000. Prior to that, Mr. Brown was co-founder and chief financial officer of DataSage, Inc. from 1995 until October 1998. Mr. Brown also held several senior financial positions with Grand Metropolitan from 1990 until 1995. Mr. Brown received his M.B.A. from the Sloan School of Management of Massachusetts Institute of Technology and a B.S. in Chemistry from the Massachusetts Institute of Technology.

Jonathan F. Klein has served as vice president, law and general counsel since November 1998 and as corporate counsel from June 1997 to November 1998. From September 1993 to June 1997, Mr. Klein was an appellate litigator with the United States Department of Justice. Mr. Klein received a B.A. in Economics from Amherst College and a J.D. from Harvard Law School.

Jeffrey A. Bedell has served as vice president, technology and chief technology officer since April 2001 and was previously vice president, platform technology since December 1999. From December 1992 to December 1999, Mr. Bedell served as senior program manager and director of technology programs with MicroStrategy. Mr. Bedell received a B.A. in Religion from Dartmouth College.

PROPOSAL 1

ELECTION OF DIRECTORS

The persons named in the enclosed proxy will vote to elect as directors the eight nominees named below, all of whom are presently directors of the Company, unless authority to vote for the election of any or all of the nominees is withheld by marking the proxy to that effect. All of the nominees have indicated their willingness to serve, if elected, but if any should be unable or unwilling to serve, proxies may be voted for a substitute nominee designated by the Board of Directors. Each director will be elected to hold office until the next annual meeting of stockholders (subject to the election and qualification of his successor or to his earlier death, resignation or removal).

Nominees

Set forth below, for each nominee, are his name and age, his positions with the Company, his principal occupation and business experience during the past five years and the year of the commencement of his term as a director of the Company:

Michael J. Saylor (36) has served as chief executive officer and chairman of the Board of Directors since founding MicroStrategy in November 1989, and as president from November 1989 to November 2000. Prior to that, Mr. Saylor was employed by E.I. du Pont de Nemours & Company as a Venture Manager from 1988 to 1989 and by Federal Group, Inc. as a consultant from 1987 to 1988. Mr. Saylor received an S.B. in Aeronautics and Astronautics and an S.B. in Science, Technology and Society from the Massachusetts Institute of Technology.

Sanju K. Bansal (35) has served as executive vice president and chief operating officer since 1993 and was previously vice president, consulting since joining MicroStrategy in 1990. He has been a member of the Board of Directors of MicroStrategy since September 1997 and has served as vice chairman since November 2000. Prior to joining MicroStrategy, Mr. Bansal was a consultant at Booz Allen & Hamilton, a worldwide technical and management consulting firm, from 1987 to 1990. Mr. Bansal received an S.B. in Electrical Engineering from the Massachusetts Institute of Technology and an M.S. in Computer Science from The Johns Hopkins University.

F. David Fowler (67) has been a member of the Board of Directors of MicroStrategy since June 2001. Mr. Fowler was the dean of the School of Business and Public Management at The George Washington University from July 1992 until his retirement in June 1997 and a member of KPMG LLP from 1963

until his retirement in June 1992. As a member of KPMG, Mr. Fowler served as managing partner of the Washington, DC office from 1987 until 1992, as partner in charge of human resources for the firm in New York City, as a member of the firm's board of directors, operating committee and strategic planning committee and as chairman of the KPMG Foundation and the KPMG personnel committee. Mr. Fowler currently serves as a member of the board of directors for the mutual funds of FBR Funds and Rushmore Funds, both located in Alexandria, Virginia. Mr. Fowler received a B.A./B.S. in Business from the University of Missouri at Columbia in 1955.

Frank A. Ingari (51) has been a member of the Board of Directors of MicroStrategy since October 1997. Mr. Ingari founded Wheelhouse Corporation, a marketing infrastructure services provider, in April 1999 and served as its chief executive officer from April 1999 until May 2000 and as its chairman of the board from April 1999 until the present. Prior to Wheelhouse, Mr. Ingari founded Growth Ally, LLC, a start-up consultancy dedicated to helping pre-public technology companies accelerate their development, and served as its president from November 1997 until April 1999. Mr. Ingari was chairman and chief executive officer of Shiva Corporation from 1993 to 1997. Prior to joining Shiva Corporation, Mr. Ingari was vice president of worldwide marketing at Lotus Development Corporation. Mr. Ingari received a B.A. in Creative Writing and U.S. Foreign Relations from Cornell University.

Jonathan J. Ledecky (43) has been a member of the Board of Directors of MicroStrategy since June 1998. Mr. Ledecky is currently vice chairman of Lincoln Holdings LLC, which owns the Washington Capitals, the Washington Wizards and the Washington Mystics sports teams, and has served in this position since July 1999. Mr. Ledecky founded U.S. Office Products Company in October 1994 and served as its chairman of the board and chief executive officer from inception through November 1997 and thereafter as a director until May 1998.

In February 1997, Mr. Ledecky founded Building One Services Corp., now Encompass Services Corporation, and served as its chairman until February 2000 and chief executive officer until June 1999. Mr. Ledecky is also a director of publicly traded School Specialty, Inc.

Stuart B. Ross (64) has been a member of the Board of Directors of MicroStrategy since June 2001. Mr. Ross held various positions with the Xerox Corporation from 1966 until December 1999, including corporate executive vice president, senior vice president of finance and chief financial officer, vice president/corporate controller and chairman and chief executive officer of Xerox Financial Services. Mr. Ross is currently a trustee for the Hansberger Institutional Series, a mutual fund, an advisor to Fairfax Financial Holdings, an insurance holding company, a member of the board of directors of The World Affairs Forum and a member of the International Executive Service Corporation Advisory Council. Mr. Ross received his B.S. in Accounting from New York University in 1958 and his M.B.A. from Bernard Baruch College of the City College of New York in 1966. Mr. Ross has been a C.P.A. in the State of New York since 1963.

John W. Sidgmore (50) has been a member of the Board of Directors of MicroStrategy since February 2000. Mr. Sidgmore is currently the vice chairman of the board of directors of WorldCom, Inc., a provider of long distance, Internet and telecommunications services, where he has served in such position since December 1996. Mr. Sidgmore was the president and chief executive officer of UUNET Technologies, Inc., a provider of worldwide Internet services, from June 1994 until December 1996. Prior to joining UUNET, Mr. Sidgmore was president and chief executive officer of Intelicom Solutions, now

CSC Intelicom, a telecommunications software company. Mr. Sidgmore is also a member of the board of directors of WorldCom.

Ralph S. Terkowitz (50) has been a member of the Board of Directors of MicroStrategy since September 1997. Mr. Terkowitz is currently chief technology officer for The Washington Post Company, a position he has held since April 2001. From 1992 until April 2001, Mr. Terkowitz was vice president, technology for The Washington Post Company. Until February 1996, Mr. Terkowitz was chief executive officer, president and publisher of Digital Ink, an Internet publishing venture that launched, among other ventures, WashingtonPost.com and PoliticsNow. In 1998, he was co-chief executive officer of HireSystems and instrumental in the formation of BrassRing.com. Mr. Terkowitz is a director of BigStep.com, OutTask and Moai. Mr. Terkowitz received an A.B. in Chemistry from Cornell University and an M.S. in Chemical Physics from the University of California, Berkeley.

Involvement in Certain Legal Proceedings

On December 14, 2000, Mr. Saylor and Mr. Bansal each entered into a settlement with the Securities and Exchange Commission ("SEC") in connection with the Company's restatement of its financial results for 1999, 1998 and 1997. In the settlement, each of Mr. Saylor and Mr. Bansal consented, without admitting or denying the allegations in the SEC's complaint, to the entry of a judgment enjoining him from violating the antifraud and recordkeeping provisions of the federal securities laws and ordering him to pay a civil penalty and disgorge certain profits.

Board and Committee Meetings

The Company has a standing Audit Committee of the Board of Directors, which provides the opportunity for direct contact between the Company's independent auditors and the Board of Directors. The Audit Committee met ten times during Fiscal Year 2000. During Fiscal Year 2000 and until June 2001, the Audit Committee members were Mr. Ingari and Mr. Terkowitz. In June 2001, Mr. Fowler and Mr. Ross were appointed to the Audit Committee and Mr. Ingari discontinued his committee membership. The current members of the Audit Committee are Mr. Fowler, Mr. Ross and Mr. Terkowitz.

The Company has a standing Compensation Committee of the Board of Directors, which makes compensation decisions regarding the officers of the Company and provides recommendations to the Board of Directors regarding compensation programs of the Company. The Compensation Committee met once during Fiscal Year 2000. The current members of the Compensation Committee are Mr. Terkowitz and Mr. Ingari.

The Board of Directors met thirteen times during Fiscal Year 2000. Each director attended at least 75% of the number of Board of Directors meetings and the number of meetings held by all committees on which he then served.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), requires the Company's directors, executive officers and holders of more than 10% of the Company's Class A Common Stock to file with the SEC initial reports of ownership of the Company's Class A Common Stock and other equity securities on a Form 3 and reports of changes in such ownership on a Form 4 or Form 5. Officers, directors and holders of 10% of the Company's Class A Common Stock are required by SEC regulations to furnish the Company

with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on a review of the Company's records, all Section 16(a) filing requirements were satisfied with respect to Fiscal Year 2000 except that (i) one Form 4 that was timely filed by Michael J. Saylor to report a series of gift transactions included four share conversions by Mr. Saylor that were reportable in two prior months in connection with those gift transactions, and (ii) one Form 4 filed by Stephen S. Trundle included a sale of shares by his spouse that was inadvertently omitted from a prior reporting period.

Directors' Compensation

Directors do not receive any fees or other cash compensation for serving on the Company's Board of Directors or any committee thereof. Directors of the Company who are not employees of the Company or any subsidiary ("Outside Directors") are entitled to receive options to purchase shares of the Company's Class A Common Stock.

In 2000, options for 120,000 shares of Class A Common Stock were granted to Outside Directors under the 1997 Director Option Plan. Subsequent to 2000, the Company will grant options to Outside Directors under the 1999 Stock Option Plan. Pursuant to this plan, Outside Directors are granted options on the following terms: (i) each new Outside Director of the Company is granted an option to purchase 100,000 shares of Class A Common Stock upon his or her initial election or appointment to the Board of Directors ("First Options") and (ii) each Outside Director is granted an option to purchase 30,000 shares of Class A Common Stock on the day immediately following each annual meeting of stockholders ("Subsequent Options"). Each option granted to an Outside Director under the 1999 Stock Option Plan has an exercise price equal to the last reported sale price of Class A Common Stock as reported on the Nasdaq National Market for the most recent trading day prior to the date of grant. First Options granted under the 1999 Stock Option Plan become exercisable in equal annual installments over a five-year period and Subsequent Options are exercisable in full upon grant. In the event of a merger of the Company with or into another corporation or another qualifying acquisition event, each option will be assumed or an equivalent option will be substituted by the successor corporation. If the successor corporation does not assume outstanding options or such options are not otherwise exchanged, the exercisability of all outstanding options will accelerate.

Executive Compensation

The compensation information set forth below relates to compensation paid by the Company to its Chief Executive Officer, the Company's four other most highly compensated executive officers who were serving as executive officers of the Company as of December 31, 2000, and the two other most highly compensated executive officers who served as executive officers during the Fiscal Year 2000, but who were not serving as executive officers at the end of Fiscal Year 2000 (collectively, the "Named Executive Officers").

Option awards relating to the Class A Common Stock of Strategy.com Incorporated, a majority-owned subsidiary of the Company ("Strategy.com"), are designated in the tables set forth below by the term "SDC." Unless so designated, all option information set forth below refers to option awards relating to the Class A Common Stock of the Company.

The following table sets forth certain information concerning the compensation of the Named Executive Officers for each of the last three fiscal years:

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation Awards
Name and Principal Position	Fiscal Year	Salary	Bonus	Other Annual Compensation	Number of Shares Underlying Options
Michael J. Saylor........ Chairman of the Board and Chief Executive Officer	2000	$150,000	$ --	$ --	--
	1999	150,000	50,000	--	--
	1998	127,500	--	--	--
Sanju K. Bansal.......... Vice Chairman of the Board, Executive Vice President and Chief Operating Officer	2000	115,000	--	--	--
	1999	115,000	40,000	--	--
	1998	115,000	--	--	--
Eric F. Brown(1)......... President and Chief Financial Officer	2000	131,250	10,000	96,962(2)	500,000
					100,000 (SDC)
	1999	--	--	--	--
	1998	--	--	--	--
Jonathan F. Klein........ Vice President, Law and General Counsel	2000	135,417	60,000	--	75,000
					75,000 (SDC)
	1999	115,000	30,000	--	30,000
	1998	91,500	15,000	--	80,500
Stephen S. Trundle(3).... Vice President, Technology and Chief Technology Officer	2000	125,000	--	--	125,000
					150,000 (SDC)
	1999	125,000	--	--	100,000
	1998	115,000	20,000	--	--
Eric D. Driscoll(4)...... Vice President, Corporate Development	2000	153,750	72,365	--	125,661
					50,000 (SDC)
	1999	--	--	--	10,000
	1998	--	--	--	--
Joseph P. Payne(5)....... Vice President, Marketing and Chief Marketing Officer	2000	175,000	75,000	--	75,000
					50,000 (SDC)
	1999	121,307	15,000	--	250,000
	1998	--	--	--	--

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(1) Mr. Brown joined the Company in February 2000 as Chief Financial Officer of Strategy.com, a business unit of the Company at the time, and became Chief Financial Officer and President of the Company on August 1, 2000 and November 14, 2000, respectively. Accordingly, the 2000 information

for Mr. Brown is for the period from February 2000 to December 31, 2000, and there is no information for 1999 and 1998.

(2) This amount represents relocation expenses paid by the Company.

(3) Mr. Trundle resigned from the Company on April 10, 2001.

(4) Mr. Driscoll became the Company's Vice President, Corporate Development in June 2000. From March 1999 until June 2000, Mr. Driscoll was Vice President, Americas Consulting and from October 1998 until March 1999 was Director, North American Consulting. The information in the table for Mr. Driscoll reflects the aggregate compensation received during 2000 as an employee of MicroStrategy Services Corporation and as an employee of the Company. Mr. Driscoll did not serve as an executive officer of the Company during 1999 or 1998. Mr. Driscoll ceased serving in the capacity of an executive officer of the Company on November 29, 2000.

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(5) Mr. Payne joined the Company in April 1999 as Vice President, Marketing and Chief Marketing Officer. Accordingly, the 1999 information for Mr. Payne is for the period from April 22, 1999 to December 31, 1999, and there is no information for 1998. Mr. Payne ceased serving in the capacity of an executive officer of the Company on November 29, 2000 and resigned from the Company on February 28, 2001.

Option Grants Table

The following table contains information concerning grants of stock options made to each of the Named Executive Officers during Fiscal Year 2000:

OPTION GRANTS IN LAST FISCAL YEAR

INDIVIDUAL GRANTS

Name	Number of Shares of Class A Common Stock Underlying Options Granted(1)	% of Total Options Granted to Employees in 2000	Exercise Price Per Share(2)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(3)	
					5%	10%
Michael J. Saylor.......	--	-- %	$ --	--	$ --	$ --
Sanju K. Bansal.........	--	--	--	--	--	--
Eric F. Brown...........	500,000	6.504	21.000	8/21/2010	6,603,394	16,734,296
	100,000 (SDC)	2.124	2.750	12/20/2010	172,946	438,279
Jonathan F. Klein.......	50,000	0.650	23.625	9/27/2010	742,882	1,882,608
	25,000	0.325	21.500	10/17/2010	338,031	856,637
	75,000 (SDC)	1.593	2.750	12/20/2010	129,710	328,709
Stephen S. Trundle......	50,000	0.650	44.125	6/09/2010	1,387,499	3,516,194
	75,000	0.976	21.500	10/17/2010	1,014,093	2,569,910

	150,000 (SDC)	3.186	2.750	12/20/2010	259,419	657,419
Eric D. Driscoll........	661	0.009	17.938	5/30/2010	7,457	18,897
	75,000	0.976	39.313	6/16/2010	1,854,280	4,699,110
	50,000	0.650	21.500	10/17/2010	676,062	1,713,273
	50,000 (SDC)	1.062	2.750	12/20/2010	86,473	219,140
Joseph P. Payne.........	50,000	0.650	23.625	9/27/2010	742,882	1,882,608
	25,000	0.325	21.500	10/17/2010	338,031	856,637
	50,000 (SDC)	1.062	2.750	12/20/2010	86,473	219,140

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(1) These options generally vest over a five-year period and expire on the tenth anniversary of the date of grant. SDC options, irrespective of vesting, are not exercisable until the earlier of an underwritten initial public offering of SDC, the closing of an acquisition transaction resulting in a change of control of SDC or sixty months from the date of grant.

(2) The exercise price of options of the Company or SDC may be paid in cash or in shares of Class A Common Stock of the Company or SDC, as the case may be, valued at fair market value on the exercise date. All stock options were granted with an exercise price equal to the fair market value of such stock as determined by the Board of Directors of the Company or SDC, as applicable, on the grant date.

(3) The potential realizable value is calculated based on the term of the option at its time of grant (ten years). It is calculated assuming that the fair market value of the Class A Common Stock of the Company or of SDC, as the case may be, on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price.

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Option Exercises and Holdings

The following table sets forth information concerning each exercise of a stock option during Fiscal Year 2000 by each of the Named Executive Officers and the number and value of unexercised options held by each of the Named Executive Officers on December 31, 2000.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

			Number of Shares of Class A Common Stock Underlying Unexercised Options at Fiscal Year-End	Value of Unexercise In-the-Money Option at Fiscal Year-End(
Name	Number of Shares Acquired on Exercise	Value Realized(1)	Exercisable/Unexercisable	Exercisable/Unexercis
Michael J. Saylor.......	--	$ --	--/--	$ --/$--
Sanju K. Bansal.........	--	--	--/--	--/--

Eric F. Brown...........	--	--	0/500,000	--/--
			0/100,000 (SDC)	--/--
Jonathan F. Klein.......	20,000	2,049,000	10,200/155,300	35,270/429,905
			0/75,000 (SDC)	--/--
Stephen S. Trundle......	100,000	16,025,000	81,600/245,400	569,800/373,700
			0/150,000 (SDC)	--/--
Eric D. Driscoll........	10,000	318,750	2,000/153,661	0/170,000
			0/50,000 (SDC)	--/--
Joseph P. Payne.........	20,000	380,000	30,000/275,000	18,750/125,000
			0/50,000 (SDC)	--/--

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(1) Represents the difference between the exercise price and the fair market value of the Class A Common Stock of the Company on the date of exercise.

(2) Value of unexercised options is determined by subtracting the exercise price per share from the fair market value per share for the underlying shares as of December 31, 2000, multiplied by the number of shares underlying the options. The fair market value of the Company's Class A Common Stock is based upon the last reported sale price as reported on the Nasdaq National Market on December 31, 2000 ($9.50 per share). No public market for the shares underlying the SDC options existed as of December 31, 2000, and accordingly no value in excess of the exercise price has been attributed to these options.

Employment Agreements

Employees of the Company, including the Company's executive officers, are generally required to enter into confidentiality agreements prohibiting the employees from disclosing any confidential or proprietary information of the Company. In addition, the agreements generally provide that upon termination, an employee will not provide competitive products or services and will not solicit Company customers and employees for a period of one year. At the time of commencement of employment, the Company's employees also generally sign offer letters specifying certain basic terms and conditions of employment. Otherwise, employees of the Company are generally not subject to written employment agreements.

Compensation Committee Interlocks and Insider Participation

As discussed below under "Certain Relationships and Related Transactions," Wheelhouse Corporation, a company for which Frank A. Ingari, a director and a member of the Compensation Committee of the Company, is a founding stockholder and chairman of the board of directors, paid the Company in Fiscal Year 2000 an

aggregate of $374,363 relating to license and support fees and education services under a business alliance agreement between the Company and Wheelhouse. Also during Fiscal Year 2000, the Company paid Wheelhouse an aggregate of $86,274 for consulting services which were unrelated to the business alliance agreement.

Certain Relationships and Related Transactions

Michael J. Saylor and Sanju K. Bansal were named as defendants in a class

action lawsuit and shareholder derivative action and were subjects of an SEC investigation, discussed under "Involvement in Certain Legal Proceedings" above, relating to the restatement of the Company's financial results for 1999, 1998 and 1997. Mr. Saylor and Mr. Bansal each retained separate legal counsel to defend their individual interests in these legal proceedings. Using a portion of the proceeds that the Company received from insurance in connection with those proceedings, the Company paid the legal fees of such separate counsel in the amounts of $1,009,360 and $334,553 on behalf of Mr. Saylor and Mr. Bansal, respectively, during 2000.

On December 30, 1999, the Company entered into a business alliance agreement with Wheelhouse Corporation, a company for which Frank A. Ingari, a director and a member of the Compensation Committee of the Company, is a founding stockholder and chairman of the board of directors. Pursuant to the agreement, Wheelhouse acquired from the Company certain development software and training technology and the right to offer Company products in the marketplace as a sales agent. In addition, Wheelhouse is entitled to a finders fee of 1.5% of the license fees paid to the Company by any company referred to the Company by Wheelhouse. During Fiscal Year 2000, Wheelhouse paid an aggregate of $374,363 to the Company relating to license and support fees and education services in connection with the development software acquired from the Company under the agreement. Also during Fiscal Year 2000, the Company paid Wheelhouse an aggregate of $86,274 for consulting services which were unrelated to the business alliance agreement.

AUDIT COMMITTEE REPORT

The Audit Committee of the Company's Board of Directors acts under a written charter first adopted and approved on September 15, 1997 and amended on July 3, 2000. A copy of this charter is attached to this proxy statement as Appendix A. During Fiscal Year 2000 and until June 2001, the members of the Audit Committee were Mr. Ingari and Mr. Terkowitz. In June 2001, Mr. Fowler and Mr. Ross were appointed to the Audit Committee and Mr. Ingari discontinued his committee membership. The current members of the Audit Committee are Mr. Fowler, Mr. Ross and Mr. Terkowitz. The members of the Audit Committee are independent directors, as defined by its charter and the rules of the Nasdaq Stock Market.

The Audit Committee reviewed the Company's audited financial statements for Fiscal Year 2000 and discussed these financial statements with the Company's management. Management is responsible for the Company's internal controls and the financial reporting process. The Company's independent auditors are responsible for performing an independent audit of the Company's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue a report on those financial statements. The Audit Committee is responsible for monitoring and overseeing these processes. As appropriate, the Audit Committee reviews and evaluates, and discusses with the Company's management, internal accounting, financial and auditing personnel and the independent auditors, the following:

- the plan for, and the independent auditors' report on, each audit of the Company's financial statements;

- the Company's financial disclosure documents, including all financial statements and reports filed with the Securities and Exchange Commission or sent to shareholders;

- changes in the Company's accounting practices, principles, controls or methodologies;

- significant developments or changes in accounting rules applicable to the Company; and

- the adequacy of the Company's internal controls and accounting, financial and auditing personnel.

The Audit Committee and management have discussed the Company's internal audit approach; the relationship among the Internal Audit Director, the Audit Committee and management; and the Audit

Committee's support for internal audit personnel. In addition, through periodic meetings during 2000 and the first quarter of 2001, the Audit Committee discussed the following significant items with management and the Company's independent auditors: material revenue contracts, financing transactions, the restatement of prior period financial results, the Company's restructuring during 2000, development of comprehensive accounting and contracts policy and procedure manuals, and development of an annual internal audit plan in connection with the hiring of an Internal Audit Director.

Management represented to the Audit Committee that the Company's financial statements had been prepared in accordance with accounting principles generally accepted in the United States of America.

The Audit Committee also reviewed and discussed the audited financial statements and the matters required by Statement on Auditing Standards 61 (Communication with Audit Committees) with PricewaterhouseCoopers LLP, the Company's independent auditors. SAS 61 requires the Company's independent auditors to discuss with the Company's Audit Committee, among other things, the following:

- methods to account for significant unusual transactions;

- the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus;

- the process used by management in formulating particularly sensitive accounting estimates and the basis for the auditors' conclusions regarding the reasonableness of those estimates; and

- disagreements, if any, with management over the application of accounting principles, the basis for management's accounting estimates and the disclosures in the financial statements.

The Company's independent auditors also provided the Audit Committee with the written disclosures and the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). Independence Standards Board Standard No. 1 requires auditors to disclose annually in writing all relationships that in the auditor's professional opinion may reasonably be thought to bear on independence, confirm their perceived independence and engage in a discussion of independence. In addition, the Audit Committee discussed with the independent auditors their independence from the Company. The Audit Committee also considered whether the independent auditors' provision of the other, non-audit related services to the Company, which are referred to below under the caption "Independent Auditors Fees and Other Matters", is compatible with maintaining such auditors' independence.

Based on its discussions with management and the Company's independent auditors as well as its review of the representations and information provided by management and the independent auditors, the Audit Committee recommended to

the Company's Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

By the Audit Committee of the Board of Directors of MicroStrategy Incorporated.

Frank A. Ingari(/1/)
Ralph S. Terkowitz

(/1/Mr.)Ingari discontinued his membership on the Audit Committee following the appointment of Messrs. Fowler and Ross to the Audit Committee in June 2001. Messrs. Fowler and Ross did not participate in the preparation of this Audit Committee Report.

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COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

This report addresses the compensation policies of the Company applicable to its executive officers during Fiscal Year 2000. The Company's executive compensation program is administered by the Compensation Committee of the Board of Directors (the "Committee"), which is comprised of two non-employee directors. The Committee is responsible for determining the compensation package of each executive officer, including the Chief Executive Officer.

Executive Compensation Policy

The objectives of the Committee in determining executive compensation are (i) to recognize and reward exceptional performance by the Company's executives, (ii) to provide incentives for high levels of current and future performance, and (iii) to align the objectives and rewards of Company executives with those of the stockholders of the Company. The Committee believes that an executive compensation program that achieves these objectives will not only properly motivate and compensate the Company's current officers, but will enable the Company to attract other officers that may be needed by the Company in the future. The executive compensation program is implemented through three principal elements--base salary, bonus and stock option grants.

Executive Officer Compensation

In setting base salaries for Fiscal Year 2000, the Committee used a subjective evaluation process considering the performance of the Company, the officer's position, level and scope of responsibility, as well as the recommendations of management with respect to base salary for such executive officer. The Committee also generally sought to set salaries at levels that, in the opinion of the members of the Committee, approximate the salary levels for executives of companies that are comparable to the Company, except in the case of the Chief Executive Officer as described below.

Bonuses are awarded principally on the basis of the Company's performance during the period and on the Committee's assessment of the extent to which the executive officer contributed to the overall performance of the Company or a particular department of the Company for a specific period. In awarding performance-based bonuses for Fiscal Year 2000, the Committee sought to set such bonuses at a level that would provide executive officers eligible to receive such bonuses with a strong incentive to contribute to the success and profitability of the Company. During Fiscal Year 2000, a total of $217,365 was paid in bonuses to seven executive officers of the Company.

In a further attempt to link compensation to the long-term performance of the Company, stock options to purchase Class A Common Stock of the Company and Class A Common Stock of Strategy.com Incorporated, a majority-owned subsidiary of the Company, were awarded to certain executive officers. In Fiscal Year 2000, option awards were made based principally on the recommendations of management. All of the options to purchase Class A Common Stock of the Company were granted under the 1999 Stock Option Plan in Fiscal Year 2000 with an exercise price that was equal to the fair market value of the Class A Common Stock on the option grant date. All of the options to purchase Class A Common Stock of Strategy.com were granted under the 2000 Stock Option Plan of Strategy.com with an exercise price equal to the fair market value of the Class A Common Stock on the option grant date as determined by the board of directors of Strategy.com. Generally, the options granted to executive officers under the 1999 Stock Option Plan and the Strategy.com 2000 Stock Option Plan vest ratably over a four to five-year period; provided, however, that Strategy.com options, irrespective of vesting, are not exercisable until the earlier of an underwritten initial public offering of Strategy.com, the closing of an acquisition transaction resulting in a change of control of Strategy.com or sixty months from the date of grant. During Fiscal Year 2000, options to purchase an aggregate of 900,661 shares of the Company's Class A Common Stock and 425,000 shares of Strategy.com's Class A Common Stock were granted to seven executive officers of the Company.

Chief Executive Officer Compensation

The Committee believes that the base salary and bonus paid to Mr. Saylor in Fiscal Year 2000 were justified in light of the significant and material contributions of Mr. Saylor to the day-to-day business operations of the

Company and to the implementation of several strategic initiatives, including completion of additional Company financing transactions, a corporate restructuring to better align the Company's costs with its revenues, an equity financing of Strategy.com in 2000 and the roll out of the MicroStrategy 7 software platform. The Committee did not make any stock option or other stock-based incentive awards to Mr. Saylor during Fiscal Year 2000. In the view of the Committee, Mr. Saylor's base salary and bonus are below the base salary and bonuses generally awarded by comparable companies to their chief executive officers. The Committee determined that, given Mr. Saylor's substantial beneficial ownership of the Company's Common Stock, his long-term interests in the performance and profitability of the Company are aligned with those of other stockholders and, accordingly, no additional financial or stock-based incentives were warranted.

Section 162(m) of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code of 1986, as amended, generally disallows a tax deduction to public companies for compensation over $1 million paid to its chief executive officer and its four other most highly compensated executive officers. However, qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Committee takes into account, to the extent it believes appropriate, the limitations on the deductibility of executive compensation imposed by Section 162(m) in determining compensation levels and practices.

By the Compensation Committee of the Board of Directors of MicroStrategy Incorporated.

Ralph S. Terkowitz
Frank A. Ingari

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on the Class A Common Stock of the Company from June 11, 1998 (the date the Company's shares of Class A Common Stock were first offered to the public) to December 31, 2000 (the end of Fiscal Year 2000) with the cumulative total return of (i) the CRSP Total Return Index for the Nasdaq National Market (U.S. Companies) (the "Nasdaq Index") and (ii) a peer group of companies consisting of Business Objects, Cognos, Inc., Brio Technology, Inc. and Actuate Software Corporation (the "Peer Index"). This graph assumes the investment of $100.00 on June 11, 1998 in the Company's Class A Common Stock, the Nasdaq Index and the Peer Index, and assumes any dividends are reinvested. Measurement points are June 11, 1998, December 31, 1998, December 31, 1999 and December 31, 2000.

[GRAPH]

Comparison of Cumulative Total Return
Assumes Initial Investment of $100

	6/11/98	12/31/98	12/31/99	12/31/00
MicroStrategy Incorporated	$100	$262.50	$1,750.00	$158.34
Nadaq Index	$100	$125.00	$ 233.17	$140.29
Peer Index	$100	$116.55	$ 327.06	$235.86

PROPOSAL 2

TO APPROVE THE AMENDED AND RESTATED 1999 STOCK OPTION PLAN TO INCREASE THE NUMBER OF SHARES OF CLASS A COMMON STOCK RESERVED FOR ISSUANCE UNDER THE PLAN FROM 11,000,000 TO 23,500,000 SHARES.

Introduction

A proposal will be presented at the Annual Meeting that the stockholders approve the Company's Amended and Restated 1999 Stock Option Plan (the "1999 Plan") to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 11,000,000 to 23,500,000 shares (subject to a proportionate adjustment for certain changes in the Company's capitalization, such as a stock split). The proposed increase in the number of shares available for grant under the 1999 Plan requires the approval by the affirmative vote of a majority of the votes cast by the holders of Common Stock present, or represented, and entitled to vote at the Annual Meeting.

As of April 20, 2001, the Company had granted options to purchase 17,046,204 shares of Class A Common Stock under the 1999 Plan. Of such option grants, options for 10,577,329 shares were made subject to stockholder approval of the increase in the number of shares available under the 1999 Plan. On December 21, 2000 and April 17, 2001, the Board of Directors adopted, subject to stockholder approval, the proposed aggregate increase in the number of shares available for issuance under the 1999 Plan to ensure that the Company will have a sufficient number of shares of Class A Common Stock available under the 1999 Plan to continue to provide option grants to attract, retain and motivate personnel.

Description of the 1999 Plan

The following is a brief summary of the 1999 Plan. The following summary is qualified in its entirety by the 1999 Plan.

Types of Awards

The 1999 Plan provides for the grant of incentive stock options intended to qualify as such under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and non-statutory stock options (collectively, "Awards").

Incentive Stock Options and Non-statutory Stock Options.

Optionees receive the right to purchase a specified number of shares of Class A Common Stock at a specified option price and subject to such other terms and conditions as are specified in connection with the option grant. Options may be granted at an exercise price which may be less than, equal to or greater than 100% of the fair market value of the Class A Common Stock on the date of grant. Under present law, however, incentive stock options and options intended to qualify as performance-based compensation under Section 162(m) of the Code may not be granted at an exercise price less than the fair market value of the Class A Common Stock on the date of grant (or less than 110% of the fair market value in the case of incentive stock options granted to optionees holding more than 10% of the total combined voting power of the Company or of any parent or subsidiary corporation). The 1999 Plan permits the following forms of payment of the exercise price of options: (i) payment by cash, check, or in connection with a "cashless exercise" through a broker, (ii) surrender to the Company of shares of Class A Common Stock, (iii) delivery to the Company of a promissory note, or (iv) by any other lawful means.

Eligibility to Receive Awards

Officers, employees, directors, consultants and advisors (and any individuals who have accepted an offer of employment) of the Company and its subsidiaries are eligible to be granted Awards under the 1999 Plan. Under present law, however, incentive stock options may only be granted to employees of the Company and its

subsidiaries. The maximum number of shares with respect to which Awards may be granted to any participant under the 1999 Plan is 1,000,000 shares per calendar year.

Plan Benefits

As of April 20, 2001, approximately 1,404 persons were eligible to receive Awards under the 1999 Plan, including the Company's five executive officers. The granting of Awards under the 1999 Plan is discretionary, and the Company cannot now determine the number or type of Awards to be granted in the future to any particular person or group. On April 20, 2001, the last reported sale price of the Company's Class A Common Stock on the Nasdaq National Market was $5.64.

Administration

The 1999 Plan is administered by the Board of Directors. The Board of Directors has the authority to adopt, amend and repeal the administrative rules, guidelines and practices relating to the 1999 Plan and to interpret the provisions of the 1999 Plan. Pursuant to the terms of the 1999 Plan, the Board

of Directors may delegate authority under the 1999 Plan to one or more committees of the Board of Directors, and subject to certain limitations, to one or more executive officers of the Company. The Board of Directors has authorized the Compensation Committee to administer certain aspects of the 1999 Plan, including the granting of options to executive officers, and has also authorized an Option Committee of the Board of Directors, consisting of Mr. Saylor, to grant options subject to certain limitations set by the Board of Directors. Subject to any applicable limitations contained in the 1999 Plan, the Board of Directors, the Compensation Committee, the Option Committee, or any other committee or executive officer to whom the Board of Directors delegates authority, as the case may be, selects the recipients of Awards and determines (i) the number of shares of Class A Common Stock covered by options and the dates upon which such options become exercisable, (ii) the exercise price of options and (iii) the duration of options.

The Board of Directors is required to make appropriate adjustments in connection with the 1999 Plan and any outstanding Awards to reflect stock dividends, stock splits and certain other events. In the event of a merger or other Acquisition Event (as defined in the 1999 Plan), the Board of Directors must provide for outstanding options to be assumed, or substituted for, by the acquiring or succeeding corporation. In the event that the acquiring or succeeding corporation does not agree to assume, or substitute for, such options, the exercisability of all outstanding options will accelerate. In certain circumstances, the Board of Directors may also provide for a cash out of the value of any outstanding options. If any Award expires or is terminated, surrendered, canceled or forfeited, the unused shares of Class A Common Stock covered by such Award will again be available for grant under the 1999 Plan subject, however, to any limitations under the Code.

Amendment or Termination

No Award may be made under the 1999 Plan on or after April 21, 2009, but Awards previously granted may extend beyond that date. The Board of Directors may at any time amend, suspend or terminate the 1999 Plan, except that no Award designated as subject to Section 162(m) of the Code by the Board of Directors after the date of such amendment shall become exercisable, realizable or vested (to the extent such amendment was required to grant such Award) unless and until such amendment shall have been approved by the Company's stockholders.

Federal Income Tax Consequences

The following is a summary of the United States federal income tax consequences that generally will arise with respect to Awards granted under the 1999 Plan and with respect to the sale of Class A Common Stock acquired under the 1999 Plan. This summary is based on the federal tax laws in effect as of the date of this proxy statement. Changes to the laws could alter the tax consequences described below.

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Incentive Stock Options

In general, a participant will not recognize taxable income upon the grant or exercise of an incentive stock option. Instead, a participant will recognize taxable income with respect to an incentive stock option only upon the sale of Class A Common Stock acquired through the exercise of the option ("ISO Stock"). The exercise of an incentive stock option, however, may subject the participant to the alternative minimum tax.

Generally, the tax consequences of selling ISO Stock will vary with the

length of time that the participant has owned the ISO Stock at the time it is sold. If the participant sells ISO Stock after having owned it for more than two years from the date the option was granted (the "Grant Date") and one year from the date the option was exercised (the "Exercise Date"), then the participant will recognize long-term capital gain in an amount equal to the excess of the sale price of the ISO Stock over the exercise price.

If the participant sells ISO Stock for more than the exercise price prior to having owned it for more than two years from the Grant Date and one year from the Exercise Date (a "Disqualifying Disposition"), then all or a portion of the gain recognized by the participant will be ordinary compensation income and the remaining gain, if any, will be a capital gain. This capital gain will be a long-term capital gain if the participant has held the ISO Stock for more than one year prior to the date of sale.

If a participant sells ISO Stock for less than the exercise price, then the participant will recognize capital loss in an amount equal to the excess of the exercise price over the sale price of the ISO Stock. This capital loss will be a long-term capital loss if the participant has held the ISO Stock for more than one year prior to the date of sale.

Non-statutory Stock Options

As in the case of an incentive stock option, a participant will not recognize taxable income upon the grant of a non-statutory stock option. Unlike the case of an incentive stock option, however, a participant who exercises a non-statutory stock option generally will recognize ordinary compensation income in an amount equal to the excess of the fair market value of the Class A Common Stock acquired through the exercise of the option ("NSO Stock") on the Exercise Date over the exercise price.

With respect to any NSO Stock, a participant will have a tax basis equal to the exercise price plus any income recognized upon the exercise of the option. Upon selling NSO Stock, a participant generally will recognize capital gain or loss in an amount equal to the difference between the sale price of the NSO Stock and the participant's tax basis in the NSO Stock. This capital gain or loss will be a long-term gain or loss if the participant has held the NSO Stock for more than one year prior to the date of the sale.

Tax Consequences to the Company

The grant of an Award under the 1999 Plan generally will have no tax consequences to the Company. Moreover, in general, neither the exercise of an incentive stock option nor the sale of any Class A Common Stock acquired under the 1999 Plan will have any tax consequences to the Company. However, the Company generally will be entitled to a business-expense deduction with respect to any ordinary compensation income recognized by a participant under the 1999 Plan, including as a result of the exercise of a non-statutory stock option or a Disqualifying Disposition. Any such deduction will be subject to the limitations of Section 162(m) of the Code.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSED AMENDED AND RESTATED 1999 STOCK OPTION PLAN.

PROPOSAL 3

TO APPROVE THE AMENDED AND RESTATED 1997 STOCK OPTION PLAN FOR FRENCH EMPLOYEES TO INCREASE THE NUMBER OF SHARES OF CLASS A COMMON STOCK RESERVED FOR ISSUANCE UNDER THE PLAN FROM 600,000 TO 800,000 SHARES.

Introduction

A proposal will be presented at the Annual Meeting that the stockholders approve the Company's Amended and Restated 1997 Stock Option Plan for French Employees (the "1997 French Plan") to increase the number of shares of Class A Common Stock reserved for issuance under the plan from 600,000 to 800,000 shares (subject to a proportionate adjustment for certain changes in the Company's capitalization, such as a stock split). The proposed increase in the number of shares available for grant under the 1997 French Plan requires the approval by the affirmative vote of a majority of the votes cast by the holders of Common Stock present, or represented, and entitled to vote at the Annual Meeting.

As of April 20, 2001, options to purchase 304,486 shares of the 600,000 shares currently authorized under the 1997 French Plan were outstanding. On April 17, 2001, the Board of Directors adopted, subject to stockholder approval, the proposed increase in the number of shares available for issuance under the 1997 French Plan to ensure that the Company will have a sufficient number of shares of Class A Common Stock available under the 1997 French Plan to continue to provide option grants to attract, retain and motivate French personnel.

Description of the 1997 French Plan

The following is a brief summary of the 1997 French Plan. The following summary is qualified in its entirety by the 1997 French Plan.

The 1997 French Plan provides for the grant to employees of a subsidiary of the Company located in the Republic of France of options to purchase up to 800,000 shares of Class A Common Stock, subject to stockholder approval. The Board of Directors, as the administrator of the 1997 French Plan, has the absolute discretion to determine the level of and terms and conditions of stock option awards consistent with the 1997 French Plan. Pursuant to the terms of the 1997 French Plan, the Board of Directors may delegate authority under the 1997 French Plan to one or more committees of the Board of Directors. The Board of Directors has authorized the Compensation Committee to administer certain aspects of the 1997 French Plan, including the granting of options to executive officers, and has also authorized an Option Committee of the Board of Directors, consisting of Mr. Saylor, to grant options, subject to certain limitations set by the Board of Directors. The 1997 French Plan allows for the grant of options which are exercisable at not less than 100% of the fair market value of the Class A Common Stock on the date of grant.

Awards Under the 1997 French Plan

The 1997 French Plan provides that the Administrator (as defined below under "Administration") may determine which employees are granted options to purchase Class A Common Stock. The Administrator may also determine the number of shares to be subject to, and the terms and conditions of, such options consistent with the 1997 French Plan. In addition, the Administrator may impose such conditions on the grant of such options as it deems appropriate.

Each option is evidenced by a written stock option agreement executed by the Company and the optionee. At the time an option is granted, the Administrator will determine the terms and conditions to be satisfied before shares shall be deemed vested, as well as the dates on which the option shall be exercisable.

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Payment for Shares

Options that are vested may be exercised in whole or in part, but an option may not be exercised for a fraction of a share. The Administrator determines the acceptable form of consideration for exercising an option, including the method of payment. Such consideration may consist of (i) cash or check (denominated in U.S. dollars); (ii) wire transfer (denominated in U.S. dollars); (iii) consideration received by the Company under a cashless exercise program; or (iv) any combination of the foregoing methods of payment.

Eligibility to Receive Awards

Options under the 1997 French Plan may be granted only to salaried employees of the Company's French subsidiary who do not own more than 10% of the voting power of all classes of stock of the Company, or any parent or subsidiary, and who are residents of the Republic of France.

Plan Benefits

As of April 20, 2001, approximately 16 persons were eligible to receive option grants under the 1997 French Plan. The granting of options under the 1997 French Plan is discretionary and the Company cannot now determine the number or value of options to be granted in the future to any particular person or group. On April 20, 2001, the last reported sales price of the Company's Class A Common Stock on the Nasdaq National Market was $5.64.

Administration

The 1997 French Plan is administered by the Board of Directors, which may delegate its decision making responsibility with respect to the 1997 French Plan to a committee (the Board of Directors or such committee thereof being the "Administrator"). The Board of Directors has authorized the Compensation Committee to administer certain aspects of the 1997 French Plan, including the granting of options to executive officers, and has also authorized an Option Committee of the Board of Directors, consisting of Mr. Saylor, to grant options, subject to certain limitations set by the Board of Directors. Under the 1997 French Plan, the Administrator has the power to interpret the 1997 French Plan and the options, and to adopt such rules for the administration, interpretation and application of the 1997 French Plan as are consistent with the 1997 French Plan.

The 1997 French Plan provides for appropriate adjustments in the number and kind of shares subject to the 1997 French Plan and to outstanding grants thereunder in the event that the outstanding shares of stock subject to the options are changed into or exchanged for a different number or kind of shares of the Company or securities of the Company by reason of a merger, consolidation, stock split, stock dividend or certain other types of recapitalizations or combination of shares.

Options to acquire Class A Common Stock granted under the 1997 French Plan may provide for termination of the options upon the liquidation or dissolution of the Company. In the event of a merger of the Company with or into another corporation, the sale of substantially all of the assets of the Company or a "change in control" (as defined in the 1997 French Plan), each outstanding option shall be assumed or an equivalent option substituted by the successor corporation. In the event that the successor corporation does not agree to assume the option or to substitute an equivalent option, the option shall be deemed exercisable to the extent of the greater of (i) 40% of the number of shares subject to the option or (ii) the number of shares then vested immediately prior to the occurrence of the "change of control."

No option granted under the 1997 French Plan may be assigned or transferred by the optionee, except by will or the laws of intestate succession. During

the lifetime of the holder of any option, the option may be exercised only by the holder.

Amendment and Termination

The 1997 French Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time by the Administrator. The Company is required to obtain stockholder approval of any amendment to the extent necessary or desirable to comply with applicable laws. Neither the amendment, suspension, nor termination of the 1997 French Plan will impair any rights or obligations under any previously granted option without the consent of the holder of the option.

Income Tax Consequences

The following is a summary of the United States federal income tax consequences that generally will arise with respect to options granted under the 1997 French Plan and with respect to the sale of Class A Common Stock acquired under the 1997 French Plan. This summary does not provide applicable income tax consequences with respect to option grants or sale of Class A Common Stock acquired under the 1997 French Plan under state or foreign law.

Tax Consequences to Participants

A participant will not recognize taxable income upon the grant of an option under the 1997 French Plan. Nevertheless, a participant generally will recognize ordinary compensation income upon the exercise of the option in an amount equal to the excess of the fair market value of the Class A Common Stock acquired through the exercise of the option (the "Option Stock") on the exercise date over the exercise price.

A participant will have a tax basis for any Option Stock equal to the exercise price plus any income recognized with respect to the option. Upon selling Option Stock, a participant generally will recognize capital gain or loss in an amount equal to the difference between the sale price of the Option Stock and the participant's tax basis in the Option Stock. This capital gain or loss will be a long-term capital gain or loss if the participant has held the Option Stock for more than one year prior to the date of the sale and will be a short-term capital gain or loss if the participant has held the Option Stock for a shorter period.

Tax Consequences to the Company

The grant of an option under the 1997 French Plan will have no direct tax consequences to the Company. However, the Company's French subsidiary may be entitled to a business-expense deduction under certain circumstances with respect to any ordinary compensation income recognized by a participant under the 1997 French Plan, and such a deduction may have an indirect effect on the Company's federal income tax situation.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE PROPOSED AMENDED AND RESTATED 1997 STOCK OPTION PLAN FOR FRENCH EMPLOYEES.

PROPOSAL 4

TO APPROVE THE ISSUANCE OF SHARES OF CLASS A COMMON STOCK UPON CONVERSION OF

SHARES OF SERIES A CONVERTIBLE PREFERRED STOCK AND AS DIVIDENDS THEREON.

On June 19, 2000, the Company issued 12,500 shares of Series A Convertible Preferred Stock, $10,000 stated value per share (the "Series A Preferred Shares"), in a private placement to institutional investors. The net proceeds of the offering, after expenses, were approximately $119.5 million.

On June 14, 2001, the Company and the holders of the Series A Preferred Shares agreed to a refinancing of 11,850 of the Series A Preferred Shares. The Company redeemed or exchanged 11,850 Series A Preferred Shares for shares of Class A Common Stock, Series B Convertible Preferred Stock, Series C Convertible Preferred Stock, Series D Convertible Preferred Stock and Series E Convertible Preferred Stock, leaving 650 Series A Preferred Shares outstanding. In addition, the Company has the option to redeem for cash $1.2 million stated value of its outstanding Series A Preferred Shares, or 120 shares, until December 11, 2001, if such shares have not been converted into Class A Common Stock.

In accordance with Nasdaq Rule 4350, which generally requires stockholder approval for the issuance of securities representing 20% or more of an issuer's outstanding listed securities, and under the terms of the agreement pursuant to which we sold the Series A Preferred Shares, we must solicit stockholder approval of the issuance of shares of Class A Common Stock upon conversion of or in lieu of cash dividends on the Series A Preferred Shares, if the issuance thereof would have otherwise been limited by the rules of the Nasdaq Stock Market. If we obtain stockholder approval, there is no limit on the number of shares that could be issued upon conversion of or in lieu of cash dividends on the Series A Preferred Shares and such issuance of shares of Class A Common Stock will no longer be subject to stockholder approval under Nasdaq Rule 4350. If we do not obtain stockholder approval and, therefore, are not obligated to issue shares representing 20% or more of the number of shares outstanding due to restrictions relating to Nasdaq Rule 4350 that we are otherwise contractually required to issue, we may be required to redeem all or a portion of the outstanding Series A Preferred Shares.

The Company may require the holders to convert their Series A Preferred Shares into shares of Class A Common Stock on June 19, 2002, which date may be extended under some circumstances. If the Company does not require the holders to convert their Series A Preferred Shares, then the Company must redeem them. The holders have the right to convert their Series A Preferred Shares into shares of Class A Common Stock at any time and from time to time, subject to certain limitations on their percentage ownership of outstanding shares of Class A Common Stock. The number of shares of Class A Common stock issuable on conversion of a Series A Preferred Share is determined by dividing the sum of $10,000 plus accrued and unpaid dividends by the applicable conversion price. If conversion occurs at the election of the holder of the Series A Preferred Shares, then the applicable conversion price will be the conversion price then in effect, as it may have been adjusted annually based on the market price of our Class A Common Stock. If the Company requires conversion at the maturity date pursuant to the terms of the Certificate of Designations, Preferences and Rights (the "Series A Certificate of Designations"), the applicable conversion price will be 95% of the average of the dollar volume-weighted average prices of the Class A Common Stock during the 30 consecutive trading days immediately prior to the date the Company requires such conversion.

To the extent the Series A Preferred Shares are converted or dividends on the Series A Preferred Shares are paid in shares of Class A Common Stock rather than cash, a significant number of additional shares of Class A Common Stock may be sold into the market, which could decrease the price of the shares of Class A Common Stock. In that case, the Company could be required to issue an increasingly greater number of shares of Class A Common Stock upon future conversions of the Series A Preferred Shares, sales of which could

further depress the price of our Class A Common Stock. If the sale of a large number of shares of Class A Common Stock upon conversion of or payment of dividends in lieu of cash on the Series A Preferred Shares results in a decline in

the price of the Class A Common Stock, this event could encourage short sales by the holders or others. Short sales could place further downward pressure on the price of the Class A Common Stock.

The conversion of and the payment of dividends in shares of Class A Common Stock in lieu of cash on the Series A Preferred Shares may result in substantial dilution to the interest of other holders of the Class A Common Stock. Even though no holder may convert its Series A Preferred Shares if upon such conversion such holder, together with its affiliates, would have acquired a number of shares of Class A Common Stock during the 60-day period ending on the date of conversion which, when added to the number of shares of Class A Common Stock held at the beginning of such 60-day period, would exceed 9.99% of our then outstanding Class A Common Stock (excluding, for purposes of such determination, shares of Class A Common Stock issuable upon conversion of Series A Preferred Shares which have not been converted), this restriction does not prevent a holder from selling a substantial number of shares in the market. By periodically selling shares into the market, an individual holder could eventually sell more than 9.99% of the Company's Class A Common Stock while never holding more than 9.99% at any specific time.

The following table illustrates the number of shares of Class A Common Stock the Company would be required to issue upon conversion of (1) the 120 Series A Preferred Shares that may remain outstanding if the Company does not elect to redeem such 120 shares and (2) the 530 Series A Preferred Shares that will remain outstanding, at an assumed conversion price of $33.39 per share of Class A Common Stock as of April 20, 2001, and the resulting percentage of the Company's total shares of Class A Common Stock outstanding after such conversion. The table also illustrates the number of shares of Class A Common Stock the Company would be required to issue assuming (i) increases of 25%, 50%, 75% and 90% in the assumed conversion price and (ii) decreases of 25%, 50%, 75% and 90% in the assumed conversion price.

Series A Preferred Shares	Assumed Conversion Price Per Share of Class A Common Stock	Number of Shares of Class A Common Stock Issuable(1)	Percentage of Common Stock after Conversion(2)
Conversion of 120 Series A Preferred Shares.............	$63.43 (+90%)	18,918	0.02%
	$58.42 (+75%)	20,539	0.03%
	$50.08 (+50%)	23,963	0.03%
	$41.73 (+25%)	28,755	0.04%
	$33.39 (0%)	35,944	0.04%
	$25.04 (-25%)	47,925	0.06%
	$16.69 (-50%)	71,888	0.09%
	$ 8.35 (-75%)	143,775	0.17%
	$ 3.34 (-90%)	359,439	0.44%
Conversion of 530 Series A			

Preferred Shares.............	$63.43 (+90%)	83,554	0.10%
	$58.42 (+75%)	90,715	0.11%
	$50.08 (+50%)	105,835	0.13%
	$41.73 (+25%)	127,002	0.15%
	$33.39 (0%)	158,752	0.19%
	$25.04 (-25%)	211,669	0.26%
	$16.69 (-50%)	317,504	0.39%
	$ 8.35 (-75%)	635,008	0.77%
	$ 3.34 (-90%)	1,587,520	1.90%

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(1) The number of shares of Class A Common Stock issuable upon conversion and the percentage of outstanding Class A Common Stock after such conversion set forth above do not take into account any

shares of Class A Common Stock that may be issuable as dividends on the Series A Preferred Shares. If the dividends on the Series A Preferred Shares are required to be paid in Class A Common Stock for the remaining 120 Series A Preferred Shares from March 31, 2001, the last dividend payment date prior to the date of this proxy statement, to June 19, 2002, the maturity date of such 120 Series A Preferred Shares, assuming a constant dividend conversion price of $5.64, which was the closing sale price of the Class A Common Stock on April 20, 2001, and assuming all 120 Series A Preferred Shares remain outstanding until the maturity date, we would be required to issue an additional 18,158 shares as payment for accrued dividends. If the dividends on the Series A Preferred Shares are required to be paid in Class A Common Stock for the remaining 530 Series A Preferred Shares from March 31, 2001, the last dividend payment date prior to the date of this proxy statement, to June 19, 2002, the maturity date of such 530 Series A Preferred Shares, assuming a constant dividend conversion price of $5.64, which was the closing sale price of the Class A Common Stock on April 20, 2001, and assuming all 530 Series A Preferred Shares remain outstanding until the maturity date, we would be required to issue an additional 80,198 shares as payment for accrued dividends.

(2) Calculated based on 31,146,465 shares of Class A Common Stock and 50,975,624 shares of Class B Common Stock (which is convertible into Class A Common Stock on a one for one basis) issued and outstanding as of April 20, 2001.

The Series A Preferred Shares carry a dividend rate of 7% per annum, payable quarterly or upon conversion or redemption. At the Company's option, the dividend may be paid in cash or shares of Class A Common Stock, subject to satisfaction of certain conditions. If the Company chooses to pay dividends in shares of Class A Common Stock, the number of shares to be issued in payment of the dividend on the Series A Preferred Shares will be equal to the accrued dividends divided by the dividend conversion price. For purposes of such calculation, the dividend conversion price will be equal to 95% of the average of the dollar volume-weighted average prices of a share of Class A Common Stock during the five consecutive trading days immediately preceding the dividend date.

The Series A Preferred Shares mature on June 19, 2002, subject to extension in certain circumstances, at which time the Series A Preferred Shares must either be redeemed or converted at the Company's option. If the Company elects to redeem any Series A Preferred Shares outstanding on June 19, 2002, the amount required to be paid will be equal to the price originally paid for such shares, plus accrued and unpaid dividends. If the Company elects to convert

any Series A Preferred Shares outstanding on June 19, 2002, it will be required to issue shares of Class A Common Stock in an amount determined as described above.

If a triggering event, as described in the Series A Certificate of Designations, occurs, the holders of the Series A Preferred Shares will have the right to require the Company to redeem all or a portion of any outstanding Series A Preferred Shares for cash. The redemption price in such a case is the greater of: (1) 125% of the price paid for the Series A Preferred Shares plus accrued dividends; or (2) the product of the number of shares of Class A Common Stock into which the Series A Preferred Stock is convertible multiplied by the closing sale price of a share of Class A Common Stock on the day immediately before the triggering event occurs.

In the event of a merger transaction, a hostile takeover or a sale of all or substantially all of the Company's assets, each holder of the Series A Preferred Shares at its option has the right to require the Company to redeem all or a portion of such holder's preferred shares at a price equal to 125% of the price paid for such shares plus accrued dividends.

In the event of the Company's liquidation, the holders of the Series A Preferred Shares will be entitled to a liquidation preference before any amounts are paid to the holders of Class A Common Stock. The liquidation preference is equal to the amount originally paid for the Series A Preferred Shares, or $10,000 per share, plus accrued and unpaid dividends on any outstanding Series A Preferred Shares.

Other than as required by law, the holders of the Series A Preferred Shares have no voting rights except that the consent of holders of at least two-thirds of the outstanding Series A Preferred Shares will be required to

effect any change in the Company's Certificate of Incorporation or the Series A Certificate of Designations that would change any of the rights of the Series A Preferred Shares or to issue any additional Series A Preferred Shares.

The terms of the Series A Preferred Shares are complex and only briefly summarized in this proxy statement. Stockholders wishing further information concerning the rights, preferences and terms of the Series A Preferred Shares are referred to the full description contained in the Company's Current Report on Form 8-K filed with the SEC on June 19, 2000 and the exhibits to such report.

In connection with the Company's issuance of the Series A Preferred Shares, the Company filed a registration statement on Form S-3 with the SEC on August 3, 2000, as amended on October 19, 2000 and November 22, 2000. That registration statement covers the resale of the shares of Class A Common Stock that are issuable upon conversion of or in lieu of cash dividends on the Series A Preferred Shares that the holders acquired from the Company in the private placement transaction.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ISSUANCE OF SHARES OF CLASS A COMMON STOCK WITH RESPECT TO THE SERIES A CONVERTIBLE PREFERRED STOCK.

PROPOSAL 5

TO APPROVE THE ISSUANCE OF SHARES OF CLASS A COMMON STOCK (I) UPON EXCHANGE OF SHARES OF SERIES A CONVERTIBLE PREFERRED STOCK AND (II) UPON CONVERSION OF SHARES OF SERIES B CONVERTIBLE PREFERRED STOCK, SERIES C CONVERTIBLE STOCK, SERIES D CONVERTIBLE PREFERRED STOCK AND SERIES E CONVERTIBLE PREFERRED STOCK TO BE ISSUED IN EXCHANGE FOR SHARES OF SERIES A CONVERTIBLE PREFERRED STOCK (INCLUDING ANY SHARES OF CLASS A COMMON STOCK ISSUABLE IN LIEU OF CASH DIVIDENDS THEREON).

On June 19, 2000, the Company issued 12,500 shares of Series A Convertible Preferred Stock, $10,000 stated value per share (the "Series A Preferred Shares"), in a private placement to institutional investors. The net proceeds of the offering, after expenses, were approximately $119.5 million.

On June 14, 2001, the Company and the holders of the Series A Preferred Shares agreed to a refinancing of 11,850 of the Series A Preferred Shares, leaving 650 Series A Preferred Shares outstanding. The Company redeemed or exchanged these 11,850 Series A Preferred Shares as follows:

- $12.5 million stated value of the Series A Preferred Shares, or 1,250 shares, were redeemed for $12.5 million in cash;

- $38.75 million stated value of the Series A Preferred Shares, or 3,875 shares, and accrued dividends on all Series A Preferred Shares being exchanged were exchanged for 5,568,466 shares of Class A Common Stock and $16.261 million stated value of Series D Convertible Preferred Stock (the "Series D Preferred Shares") with a fixed conversion price of $5.00 per share;

- $33.125 million stated value of the Series A Preferred Shares, or 3,312.5 shares, were exchanged for an equivalent stated value of Series B Convertible Preferred Stock (the "Series B Preferred Shares") with a conversion price of $12.50 per share, subject to adjustment at maturity if the Company elects to mandatorily convert these shares into Class A Common Stock;

- $27.825 million stated value of the Series A Preferred Shares, or 2,782.5 shares, were exchanged for an equivalent stated value of Series C Convertible Preferred Stock (the "Series C Preferred Shares"), with a conversion price of $17.50 per share, subject to adjustment at maturity if the Company elects to mandatorily convert these shares into Class A Common Stock; and

- $6.3 million stated value of the Series A Preferred Shares, or 630 shares, were exchanged for an equivalent stated value of Series E Convertible Preferred Stock (the "Series E Preferred Shares") with a conversion price per share equal to the average of the volume-weighted average prices of the Class A Common Stock during the ten consecutive trading days immediately preceding December 11, 2001.

As part of the refinancing, the Company has the option to redeem for cash $1.2 million stated value of its outstanding Series A Preferred Shares, or 120 shares, until December 11, 2001, if such shares have not been converted into Class A Common Stock. If the Company does not exercise its option to redeem such 120 shares, an aggregate of 650 Series A Preferred Shares will remain outstanding, assuming none of such shares are converted. These 650 Series A Preferred Shares may be converted by the holders prior to maturity or by the Company at maturity for shares of Class A Common Stock and accrue dividends payable at the Company's option in shares of Class A Common Stock in lieu of cash as described under "Proposal 4."

The Series B Preferred Shares and the Series C Preferred Shares accrue

dividends payable in cash or Class A Common Stock. The aggregate number of shares of Class A Common Stock which may be issued as dividends on the Series B Preferred Shares and Series C Preferred Shares are collectively referred to in this proposal as the "Dividend Shares." The Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares can be converted into Class A Common Stock by the holder at any time or by the Company three years after the date of issuance. The Series E Preferred Shares can be converted into Class A Common Stock by the holder at

any time beginning on December 11, 2001. The aggregate number of shares of Class A Common Stock into which the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares may be converted are collectively referred to in this proposal as the "Conversion Shares."

In accordance with Nasdaq Rule 4350, which generally requires stockholder approval for the issuance of securities representing 20% or more of an issuer's outstanding listed securities, and under the terms of the agreements pursuant to which we have redeemed or exchanged the Series A Preferred Shares, we must solicit stockholder approval of the issuance of Class A Common Stock in exchange for Series A Preferred Shares and the issuance of the Conversion Shares and the Dividend Shares, if the issuance of these securities would have otherwise been limited by the rules of the Nasdaq Stock Market. If we obtain stockholder approval, there is no limit on the aggregate number of shares of Class A Common Stock that could be issued upon exchange of Series A Preferred Shares, upon the conversion of the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares and in lieu of cash dividends on the Series B Preferred Shares and Series C Preferred Shares. If we do not obtain stockholder approval and, therefore, are not obligated to issue shares representing 20% or more of the number of shares outstanding due to restrictions relating to Nasdaq Rule 4350 that we are otherwise contractually required to issue, we may be required to redeem all or a portion of the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares.

The Company may require holders to convert their Series B Preferred Shares and Series C Preferred Shares into shares of Class A Common Stock on the maturity date of June 14, 2004, which date may be extended under some circumstances. If the Company does not require the holders to convert their Series B Preferred Shares or Series C Preferred Shares, then the Company must redeem them. In addition, the holders have the right to convert their Series B Preferred Shares and Series C Preferred Shares into shares of Class A Common Stock at any time and from time to time, subject to certain limitations on their percentage ownership of outstanding shares of Class A Common Stock. The number of shares of Class A Common Stock issuable on conversion of a Series B Preferred Share or Series C Preferred Share is determined by dividing the sum of $10,000 plus any accrued and unpaid dividends by the applicable conversion price per share. If the conversion is at the option of the holder, the applicable conversion price for the Series B Preferred Shares is $12.50 per share and the applicable conversion price of the Series C Preferred Shares is $17.50 per share, each subject to adjustment under certain circumstances. If the Company requires conversion at the maturity date pursuant to the terms of the Certificate of Designations relating to the Series B Preferred Shares and the Certificate of Designations relating to the Series C Preferred Shares, the applicable conversion price will be 95% of the average of the dollar volume-weighted average prices of the Class A Common Stock during the 30 consecutive trading days immediately prior to the date the Company requires such conversion.

The Company is required to convert any Series D Preferred Shares outstanding at the maturity date of June 14, 2004. In addition, the holders have the right to convert their Series D Preferred Shares into shares of Class A Common Stock at any time and from time to time, subject to certain limitations on their percentage ownership of outstanding shares of Class A Common Stock. The Company is required to issue 2,000 shares of Class A Common Stock upon conversion of each Series D Preferred Share.

The Series E Preferred Shares have a maturity date of June 14, 2004 and can be converted into Class A Common Stock by the holder at any time beginning on December 11, 2001, based on a conversion price equal to the average of the volume-weighted average prices of the Class A Common Stock during the ten consecutive trading days immediately preceding December 11, 2001.

To the extent the remaining 650 Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares or Series E Preferred Shares are converted into Conversion Shares or dividends on the remaining 650 Series A Preferred Shares, Series B Preferred Shares or Series C Preferred Shares are paid in Dividend Shares rather than cash, a significant number of additional shares of Class A Common Stock may be sold into the market, which could decrease the price of the shares of Class A Common Stock. In that case, the Company

could be required to issue an increasingly greater aggregate number of shares of Class A Common Stock as Conversion Shares upon future conversions of the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares and as Dividend Shares on the Series B Preferred Shares and Series C Preferred Shares, sales of which could further depress the price of our Class A Common Stock. If the sale of a large number of shares of Class A Common Stock upon the issuance of shares of Class A Common Stock as Conversion Shares or as Dividend Shares results in a decline in the price of the Class A Common Stock, this event could encourage short sales by the holders or others. Short sales could place further downward pressure on the price of the Class A Common Stock.

The exchange of the Series A Preferred Shares for Class A Common Stock and the issuance of Conversion Shares or Dividend Shares may result in substantial dilution to the interest of other holders of the Class A Common Stock. Even though no holder may convert its Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares or Series E Preferred Shares if upon such conversion such holder, together with its affiliates, would have acquired a number of shares of Class A Common Stock during the 60-day period ending on the date of conversion which, when added to the number of shares of Class A Common Stock held at the beginning of such 60-day period, would exceed 9.99% of our then outstanding Class A Common Stock (excluding, for purposes of such determination, shares of Class A Common Stock issuable upon conversion of Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares which have not been converted), this restriction does not prevent a holder from selling a substantial number of shares in the market. By periodically selling shares into the market, an individual holder could eventually sell more than 9.99% of the Company's Class A Common Stock while never holding more than 9.99% at any specific time.

The following table illustrates the number of shares of Class A Common Stock the Company would be required to issue upon conversion of 530 Series A Preferred Shares, an additional 120 Series A Preferred Shares (if such shares

are not redeemed by the Company) and all Series B Preferred Shares, Series C Preferred Shares and Series E Preferred Shares issued in connection with the refinancing of the Series A Preferred Shares at (1) the conversion prices of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares applicable prior to maturity and at an assumed conversion price of $5.64 per share for the Series E Preferred Shares (the closing price of the Class A Common Stock on April 20, 2001) and (2) at the assumed conversion prices of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares at maturity and at the assumed conversion price of $5.64 per share for the Series E Preferred Shares and assuming increases of 25%, 50% and 75% in such assumed conversion prices and assuming decreases of 25%, 50% and 75% in such assumed conversion prices, and the resulting percentage of the Company's total shares of Class A Common Stock and Class B Common Stock outstanding after such exchange and conversion. The table also illustrates the resulting percentage of the Company's total shares of Class A Common Stock outstanding after issuance by the Company upon exchange of 3,875 Series A Preferred Shares of an aggregate of 5,568,466 shares of Class A Common Stock and 3,252,200 shares of Class A Common Stock issuable upon conversion of the Series D Preferred Shares.

Series of Preferred Stock	Conversion Price Per Share of Class A Common Stock	Number of Shares of Class A Common Stock Issuable(1)	Percentage of Common Stock after Conversion(2)
Conversion of 530 shares of Series A Convertible Preferred Stock prior to maturity............	$58.42(+75%)	90,715	0.11%
	$50.08(+50%)	105,835	0.13%
	$41.73(+25%)	127,002	0.15%
	$33.39 (0%)	158,752	0.19%
	$25.04 (-25%)	211,669	0.26%
	$16.69 (-50%)	317,504	0.39%
	$ 8.35 (-75%)	635,008	0.77%

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Series of Preferred Stock	Conversion Price Per Share of Class A Common Stock	Number of Shares of Class A Common Stock Issuable(1)	Percentage of Common Stock after Conversion(2)
Conversion of 530 shares of Series A Convertible Preferred Stock at maturity(3)............	$ 9.87 (+75%)	536,981	0.65%
	$ 8.46 (+50%)	626,478	0.76%
	$ 7.05 (+25%)	751,773	0.91%
	$ 5.64 (0%)	939,716	1.13%
	$ 4.23 (-25%)	1,252,955	1.50%
	$ 2.82 (-50%)	1,879,433	2.24%
	$ 1.41 (-75%)	3,758,865	4.38%

Conversion of 120 Series A Preferred Shares prior to maturity......	$58.42(+75%)	20,539	0.03%
	$50.08(+50%)	23,963	0.03%
	$41.73(+25%)	28,755	0.04%
	$33.39 (0%)	35,944	0.04%
	$25.04 (-25%)	47,925	0.06%
	$16.69 (-50%)	71,888	0.09%
	$ 8.35 (-75%)	143,775	0.17%
Conversion of 120 Series A Preferred Shares at maturity(3)............	$ 9.87(+75%)	121,581	0.15%
	$ 8.46(+50%)	141,844	0.17%
	$ 7.05(+25%)	170,213	0.21%
	$ 5.64 (0%)	212,766	0.26%
	$ 4.23 (-25%)	283,688	0.34%
	$ 2.82 (-50%)	425,532	0.52%
	$ 1.41 (-75%)	851,064	1.03%
Conversion of Series B Preferred Shares by holders prior to maturity...............	$12.50	2,650,000	3.13%
Conversion of Series B Preferred Shares by the Company at maturity(3)............	$ 9.87(+75%)	3,356,130	3.93%
	$ 8.46(+50%)	3,915,485	4.55%
	$ 7.05(+25%)	4,698,582	5.41%
	$ 5.64 (0%)	5,873,227	6.67%
	$ 4.23 (-25%)	7,830,969	8.71%
	$ 2.82 (-50%)	11,746,454	12.51%
	$ 1.41 (-75%)	23,492,908	22.24%
Conversion of Series C Preferred Shares by holders prior to maturity...............	$17.50	1,590,000	1.90%
Conversion of Series C Preferred Shares by the Company at maturity(3)............	$ 9.87(+75%)	2,819,149	3.32%
	$ 8.46(+50%)	3,289,007	3.85%
	$ 7.05(+25%)	3,946,809	4.59%
	$ 5.64 (0%)	4,933,511	5.67%
	$ 4.23 (-25%)	6,578,014	7.42%
	$ 2.82 (-50%)	9,867,021	10.73%
	$ 1.41 (-75%)	19,734,043	19.37%
Conversion of Series D Preferred Shares.......	$ 5.00	3,252,200	3.81%

Series of Preferred Stock	Conversion Price Per Share of Class A Common Stock	Number of Shares of Class A Common Stock Issuable(1)	Percentage of Common Stock after Conversion(2)
Conversion of Series E			

Preferred Shares by holders prior to maturity(3)...........	$9.87(+75%)	638,298	0.77%
	$8.46(+50%)	744,681	0.90%
	$7.05(+25%)	893,617	1.08%
	$5.64 (0%)	1,117,021	1.34%
	$4.23 (-25%)	1,489,362	1.78%
	$2.82 (-50%)	2,234,043	2.65%
	$1.41 (-75%)	4,468,085	5.16%
Exchange of 2,515 Series A Preferred Shares for Class A Common Stock...	Not Applicable	5,568,466	6.35%

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(1) The number of shares of Class A Common Stock issuable upon conversion or exchange as set forth in the table above does not include any shares of Class A Common Stock that may be issuable as dividends on the remaining 650 Series A Preferred Shares, the Series B Preferred Shares or the Series C Preferred Shares. If the dividends on the remaining 650 Series A Preferred Shares are required to be paid in Class A Common Stock from March 31, 2001, the last dividend payment date prior to the date of this proxy statement, to June 19, 2002, the maturity date of such 650 Series A Preferred Shares, assuming a constant dividend conversion price of $5.64, which was the closing sale price of the Class A Common Stock on April 20, 2001, and assuming all 650 Series A Preferred Shares remain outstanding until the maturity date, we would be required to issue an additonal 98,356 shares as payment for accrued dividends. If we were to pay dividends on the Series B Preferred Shares and Series C Preferred Shares over the three-year term thereof in shares of Class A Common Stock, assuming a constant dividend conversion price of $5.64, which was the closing sale price of the Class A Common Stock on April 20, 2001, and assuming all Series B Preferred Shares and Series C Preferred Shares remain outstanding for the entire three-year term, we would be required to issue an additional 4,052,527 shares of Class A Common Stock in respect of such dividends.

(2) Calculated based on 31,146,465 shares of Class A Common Stock and 50,975,624 shares of Class B Common Stock (which is convertible into Class A Common Stock on a one for one basis) issued and outstanding as of April 20, 2001.

(3) Based upon an assumed conversion price of $5.64, which was the closing sale price of the Class A Common Stock on April 20, 2001.

The Series B Preferred Shares and Series C Preferred Shares carry a dividend rate of 12.5% per annum, payable beginning on the earlier of (a) October 1, 2001 and (b) the later of July 1, 2001 and the date that is 10 days after the date that the registration statement filed with respect to the shares of Class A Common Stock issuable upon conversion of, or payable as dividends on, the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares is declared effective by the SEC, and quarterly thereafter or upon conversion or redemption of the Series B Preferred Shares or Series C Preferred Shares. At the Company's option, the dividends on the Series B Preferred Shares and Series C Preferred Shares may be paid in cash or Dividend Shares, subject to satisfaction of certain conditions. If the Company chooses to pay dividends in Dividend Shares, the number of Dividend Shares to be issued will be equal to the accrued dividends divided by the dividend conversion price. For purposes of such calculation, the dividend conversion price will be equal to 95% of the average of the dollar volume-weighted average prices of a share of Class A Common Stock during the five consecutive trading days immediately preceding the dividend

date.

The Series B Preferred Shares and Series C Preferred Shares outstanding at the maturity date must either be redeemed or converted at the Company's option. If the Company elects to redeem any Series B Preferred Shares or Series C Preferred Shares outstanding at maturity, the amount required to be paid will be equal to $10,000 per share, plus accrued and unpaid dividends. If the Company elects to convert any Series B Preferred Shares or Series C Preferred Shares outstanding at maturity, it will be required to issue shares of Class A Common Stock as described above.

The Series E Preferred Shares mature on June 14, 2004 and carry a dividend rate of 12.5% until September 12, 2001, 15% from September 13, 2001 until December 11, 2001 and 17.5% thereafter, accruing daily and

payable in cash on a quarterly basis. The Company can redeem the Series E Preferred Shares at any time through December 11, 2001, for 105% of the stated value plus accrued and unpaid dividends until October 27, 2001 and for 110% of the stated value plus accrued and unpaid dividends from October 28, 2001 through December 11, 2001. In addition, the holders may require the Company to redeem the Series E Preferred Shares beginning on July 14, 2002 for 120% of the stated value plus accrued and unpaid dividends and may require redemption of the Series E Preferred Shares prior to that date upon specified financing transactions or certain other events. The Company is required to redeem any Series E Preferred Shares outstanding at maturity for $12,000 per share, plus accrued and unpaid dividends.

If a triggering event, as described in the certificates of designations of rights and preferences relating to the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares, occurs, the holders of the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares will have the right to require the Company to redeem all or a portion of any such outstanding shares for cash. The redemption price in such a case is the greater of: (1) the conversion price of the Series D Preferred Shares, with respect to the Series D Preferred Shares, or 125% of the applicable conversion price for the Series B Preferred Shares, Series C Preferred Shares and Series E Preferred Shares, plus accrued dividends; or (2) the product of the number of shares of Class A Common Stock into which the Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares or Series E Preferred Shares are convertiign="top" style="width:02.68%;border-top:1pt none #D9D9D9 ;border-left:1pt non

Business Experience:

Mr. Simon is retired. Prior to his retirement, Mr. Simon was a partner at Coopers & Lybrand L.L.P., Certified Public Accountants, from 1968 to 1994.

Other Directorships
(previous within the last five years):

Director and member of the Audit and Nominating/Corporate Governance Committees of L3 Technologies, Inc.

Qualifications:

Mr. Simon's qualifications for service on our Board include his significant experience in the satellite industry, having served as a director of the Company and its predecessors for more than 20 years. He also has significant accounting and internal controls background and expertise, having served in a public accounting firm for 38 years, 25 of which were as a partner, and having co-founded the aerospace/defense contracting group at his former firm. In addition, he brings to the Company substantial business knowledge gained while serving as an independent director of another public company in the aerospace and defense industry.

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John P. Stenbit

Age:	78
Director Since:	June 2006
Class:	Class I
Committees:	Audit Committee (Member)
Business Experience:	Mr. Stenbit is a consultant for various government and commercial clients. Mr. Stenbit is also Chairman of the Board of DGI Holdings Inc., a private corporation. From 2001 to his retirement in March 2004, he was Assistant Secretary of Defense of Networks and Information Integration/Department of Defense Chief Information Officer.
Other Directorships (current):	Director and member of the Nomination, Evaluation and Corporate Governance Committee and Compensation and Human Resources Committee of ViaSat, Inc.
Qualifications:	Mr. Stenbit's qualifications for service on our Board include his significant experience in the aerospace and satellite industries, having previously served as a senior executive of TRW for 10 years in positions with financial oversight responsibilities. He also has had a distinguished career of government service focused on the telecommunications and command and control fields. In addition, he brings to the Company a breadth of business knowledge gained while serving as an independent director of other technology companies.

Continuing Members of the Board of Directors

The following are brief biographical sketches of each of our directors whose term continues beyond 2019 and who is not subject to election this year, including his or her experience, qualifications, attributes and skills, which, taken as a whole, have enabled the Board to conclude that each director should, in light of the Company's business and structure, serve as a director of the Company.

Class II Directors — Term Expiring in 2020

John D. Harkey, Jr.

Age:	58
Director Since:	November 2005
Class:	Class II

Committees:	Audit Committee (Member), Compensation Committee (Member) and Nominating Committee (Chairman)
Business Experience:	Mr. Harkey has been Chairman and Chief Executive Officer of Consolidated Restaurant Companies, Inc. since 1998.
Other Directorships (current):	Director of Emisphere Technologies, Inc.
Qualifications:	Mr. Harkey's qualifications for service on our Board include his ability to provide the insight and perspectives of a successful and long-serving active chief executive officer of a major restaurant company. His current and prior experience serving on the boards of several other public companies in diverse industries allows him to offer a broad perspective on corporate governance, risk management and operating matters facing corporations today.

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Michael B. Targoff	
Age:	74
Director Since:	November 2005
Class:	Class II
Committees:	Executive Committee (Chairman)
Business Experience:	Mr. Targoff has been Vice Chairman of Loral since November 21, 2005 and a consultant to the Company since December 15, 2012. Mr. Targoff was Chief Executive Officer of Loral from March 1, 2006 to December 14, 2012 and President of Loral from January 8, 2008 to December 14, 2012. Mr. Targoff also has been a Director and member of the Audit Committee of Telesat since the Company acquired its interest in Telesat in October 2007. From 1998 to February 2006, Mr. Targoff was founder and principal of Michael B. Targoff & Co., a private investment company.
Qualifications:	Mr. Targoff's qualifications for service on our Board include his extensive understanding and knowledge of our business and the satellite industry, as well as demonstrated leadership skills and operating experience, acquired during more than 20 years of serving as a senior executive of the Company and its predecessors. As a director of other public and private companies in the telecommunications industry, Mr. Targoff also brings to the Company a broad-based business knowledge and substantial financial expertise.

Class III Directors — Term Expiring in 2021

Mark H. Rachesky, M.D.	
Age:	60
Director Since:	November 2005
Class:	Class III
Committees:	Compensation Committee (Chairman) and Executive Committee (Member)
Business Experience:	Dr. Rachesky has been non-executive Chairman of the Board of Loral since March 1, 2006. Dr. Rachesky also has been non-executive Chairman of the Board and a member of the Compensation and Corporate Governance Committee of Telesat Canada ("Telesat") since the Company acquired its interest in Telesat in October 2007. Dr. Rachesky founded MHR Fund Management LLC ("MHR") and has been its President since 1996. MHR is an investment manager of various private investment funds that invest in inefficient market sectors, including special situation equities and distressed investments.

Other Directorships (current):	Director and member of the Governance and Nominating Committee and Compensation Committee of Emisphere Technologies, Inc.; Non-executive Chairman of the Board, co-chairman of the Strategic Advisory Committee and member of the Compensation Committee of Lions Gate Entertainment Corp.; Director and member of the Nominating and Governance Committee and co-chairman of the Finance Committee of Navistar International Corporation; Director and member of the Corporate Governance Committee, Nominating Committee and Compensation Committee of Titan International Inc.

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Qualifications:	Dr. Rachesky's qualifications for service on our Board include his demonstrated leadership skills as well as his extensive financial expertise and broad-based business knowledge and relationships. In addition, as the President of MHR, with a demonstrated investment record in companies engaged in a wide range of businesses for more than 20 years, together with his experience as chairman and director of other public and private companies, Dr. Rachesky brings to the Company broad and insightful perspectives relating to economic, financial and business conditions affecting the Company and its strategic direction.

Janet T. Yeung

Age:	54
Director Since:	May 2015
Class:	Class III
Business Experience:	Since May 2012, Ms. Yeung has been Principal and General Counsel of MHR. From July 2008 to May 2012, Ms. Yeung was Principal and Counsel of MHR. From 2000 to June 2008, Ms. Yeung was Vice President and Deputy General Counsel of Loral and its predecessor.
Qualifications:	Ms. Yeung's qualifications for service on our Board include her having previously served as an officer of the Company and, as a result, her familiarity with and extensive knowledge of the Company and the satellite industry. In addition, through her broad and deep experience in structuring, negotiating and implementing a wide variety of corporate transactions and financings during her tenure at the Company and at MHR, she has gained a considerable understanding of the matters that face the Company which enable her to offer the Board a broad perspective and advice on corporate governance, risk management and legal matters facing the Company today.

Additional Information Concerning the Board of Directors of the Company

During 2018, the Board of Directors held seven meetings and acted once by unanimous written consent. All directors attended at least 75% of the aggregate of the total number of meetings of the Board of Directors and of committees of the Board of which he or she was a member, with the exception of Ms. Yeung who attended five of seven Board meetings. We do not have a policy regarding directors' attendance at annual meetings. Three members of the Board attended the 2018 Annual Meeting of Stockholders in person, and two members attended the meeting by telephone.

Director Independence

The Company is listed on the Nasdaq Stock Market and complies with the Nasdaq listing requirements regarding independent directors. Under Nasdaq's Marketplace Rules, the definition of an "independent director" is a person other than an executive officer or employee of the company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board of Directors has reviewed such information as the Board has deemed appropriate for purposes of determining whether any of the directors has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director,

including the beneficial ownership by our directors of Voting Common Stock (see "Ownership of Voting Common Stock – Voting Common Stock Ownership by Directors and Executive Officers") and transactions

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between the Company on the one hand, and our directors and their affiliates, on the other hand (see "Certain Relationships and Related Party Transactions"). Based on such review, the Board of Directors has determined that all of our current directors, except for Mr. Targoff, were in 2018, and are currently, independent directors; independent directors, therefore, constitute a majority of our Board. Non management directors meet periodically in executive session without members of the Company's management at the conclusion of regularly scheduled Board meetings. Mr. Targoff is not a member of any of the compensation, nominating or audit committees of the Company.

Indemnification Agreements

We have entered into Officers' and Directors' Indemnification Agreements (each, an "Indemnification Agreement") with our directors and officers (each officer and director with an Indemnification Agreement, an "Indemnitee"). The Indemnification Agreement requires us to indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding (as that term is used in the Indemnification Agreement), except with regard to any Proceeding by or in our right to procure a judgment in our favor, against all Expenses and Losses (as those terms are used in the Indemnification Agreement), including judgments, fines, penalties and amounts paid in settlement, subject to certain conditions, actually and reasonably incurred in connection with such Proceeding, if the Indemnitee acted in good faith for a purpose which he or she reasonably believed to be in or not opposed to our best interests. With regard to Proceedings by or in our right, the Indemnification Agreement provides similar terms of indemnification; no indemnification will be made, however, with respect to any claim, issue or matter as to which the Indemnitee shall have been adjudged to be liable to us, unless a court determines that the Indemnitee is entitled to indemnification for such portion of the Expenses as the court deems proper, all as detailed further in the Indemnification Agreement. The Indemnification Agreement also requires us to indemnify an Indemnitee where the Indemnitee is successful, on the merits or otherwise, in the defense of any claim, issue or matter therein, as well as in other circumstances delineated in the Indemnification Agreement. The indemnification provided for by the Indemnification Agreement is subject to certain exclusions detailed therein. Loral Holdings Corporation guarantees the due and punctual payment of all of our obligations under the Indemnification Agreements.

Directors and Officers Liability Insurance

We have purchased insurance from various insurance companies against obligations we might incur as a result of our indemnification obligations of directors and officers for certain liabilities they might incur and insuring such directors and officers for additional liabilities against which they might not be indemnified by us. We have also procured coverage for our own liabilities in certain circumstances. For the period from February 1, 2019 to January 31, 2020, we purchased a director and officer liability policy and a separate fiduciary liability policy. Our cost for the annual insurance premiums for these policies is $525,741 in the aggregate.

Board Leadership Structure

Our Bylaws do not require that the positions of Chairman of the Board and Chief Executive Officer be held by the same person or by different individuals, and our Board does not have a formal policy with respect to the separation or combination of these offices. After our corporate office restructuring resulting from the sale (the "SSL Sale") in 2012 of our former subsidiary, Space Systems/Loral, LLC (formerly known as Space Systems/Loral, Inc.) ("SSL"), including the termination of Mr. Targoff's employment as Chief Executive Officer and President of the Company, the Board did not believe that going forward it was necessary for the Company to employ a Chief Executive Officer. Thus, the position of Chief Executive Officer during 2018 was, and currently is, vacant.

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Director Compensation

Board and Committee Compensation Structure

The compensation structure adopted by the Board of Directors and in effect for 2018 was designed to achieve the following goals:

- fairly pay directors for work required for a company of Loral's size and scope; and
- provide a compensation structure that is simple, transparent and easy to understand.

The compensation structure in effect for 2018 for service on the Board and its Standing Committees was as follows:

Board and Committee Compensation Structure

	Annual Fee(1)	In-Person Meeting Fee(2)	Telephonic Meeting Fee (over 30 minutes)(3)	Medical
Board of Directors	$ 75,000	$ 1,500	$ 1,000	Eligible for Loral Medical Plan at Company's expense if not otherwise employed full-time
Executive Committee	No extra fees unless set on an ad hoc basis by Board of Directors			
Audit Committee				
Chairman	$ 70,000	$ 1,000	$ 500	
Member	$ 60,000	$ 1,000	$ 500	
Compensation Committee				
Chairman	$ 5,000	$ 1,000	$ 500	
Member	$ 2,000	$ 1,000	$ 500	
Nominating Committee				
Chairman	$ 5,000	$ 1,000	$ 500	
Member	$ 2,000	$ 1,000	$ 500	

(1) Annual fees are payable to all directors, including Company employees and consultants; fee is payable in three installments: on or about the date of the Company's Annual Meeting of Stockholders and four and eight months thereafter.
(2) In-person meeting fees are not paid to Company employees or consultants.
(3) Telephonic meeting fees are not paid to Company employees or consultants. For meetings of less than 30 minutes in duration, per-meeting fees may be paid if, in the discretion of the Chairman of the Board or Committee, as applicable, meaningful preparation was required in advance of the meeting.

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Directors Compensation for Fiscal 2018

For fiscal year 2018, Loral provided the compensation set forth in the table below to its directors.

2018 Director Compensation

Name	Fees Earned ($)	All Other Compensation ($)		Total
Mark H. Rachesky, M.D.	$ 84,000	—		$ 84,000
Michael B. Targoff	$ 75,000	$ 1,440,000	(1)	$ 1,515,000
John D. Harkey, Jr.	$ 150,500	—		$ 150,500
Arthur L. Simon	$ 153,500	—		$ 153,500
John P. Stenbit	$ 151,750(2)	—		$ 151,750
Janet T. Yeung	$ 79,000	—		$ 79,000

(1) The amount set forth in the "All Other Compensation" column for Mr. Targoff includes consulting fees of $1,440,000 paid to him under his consulting agreement with the Company for the year ending December 31, 2018 (before deduction of $45,000 in certain net expenses for which he reimbursed the Company). See "Certain Relationships and Related Transactions — Consulting Agreement" for a description of the Company's consulting agreement with Mr. Targoff.

(2) Includes $8,250 of fees paid to Mr. Stenbit in 2019 with respect to service in 2018 on a committee other than a standing committee.

Committees of the Board of Directors

The Company's standing committees of the Board of Directors are the Audit Committee, the Compensation Committee, the Executive Committee and the Nominating Committee. The charters of the Audit Committee, the Compensation Committee and the Nominating Committee are available on the Investor Relations — Corporate Governance section of our website at www.loral.com. These documents are also available upon written request to: Investor Relations, Loral Space & Communications Inc., 600 Fifth Avenue, New York, New York 10020. The Executive Committee does not have a charter. Information concerning these committees is set out below.

Audit Committee

Members:	Arthur L. Simon (Chairman), John D. Harkey, Jr., John P. Stenbit
Number of Meetings in 2018:	Eight meetings and one action by unanimous written consent

The Board of Directors has determined that all of the members of the Audit Committee meet the independence and experience requirements of the Securities and Exchange Commission ("SEC") and the Nasdaq Stock Market. Moreover,

the Board has determined that one of the Committee's members, Mr. Simon, qualifies as an "audit committee financial expert" as defined by the SEC.

The Audit Committee is generally responsible for, among other things, (i) the appointment, termination and compensation of the Company's independent registered public accounting firm and oversight of its services; (ii) approval of any non-audit services to be performed by the independent registered public accounting firm and related compensation; (iii) reviewing the scope of the audit proposed for the current year and its results; (iv) reviewing the adequacy of our disclosure and accounting and financial controls; (v) reviewing the annual and quarterly financial statements and related disclosures with management and the independent registered public accounting firm; (vi) monitoring the Company's and the independent registered public accounting firm's annual performance under the requirements of Sarbanes Oxley Act Section 404; and (vii) reviewing the Company's internal

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audit function, which, after the SSL Sale, the Company has outsourced to a major certified public accounting firm, and findings from completed outsourced internal audits. The Audit Committee is also responsible for monitoring and overseeing the Company's processes and procedures for risk assessment, risk management and compliance (see "Additional Information Concerning the Board of Directors of the Company – Board Role in Risk Oversight").

In addition, the Audit Committee, with input from management, reviews the Company's compensation policies and practices for all employees to determine whether such policies and practices encourage excessive or unnecessary risk-taking that could have a material adverse effect on the Company. Based on such review, the Audit Committee believes that such policies and practices are not likely to have a material adverse effect on the Company.

Compensation Committee

Members:	Mark H. Rachesky, M.D. (Chairman), John D. Harkey, Jr.
Number of Meetings in 2018:	Two meetings and one action by unanimous written consent

Our Compensation Committee has primary responsibility for overseeing our executive compensation program, including compensation of our named executive officers described in the "Executive Compensation" section of this Proxy Statement. Our Compensation Committee is composed of independent directors, as determined by Nasdaq listing standards. The Compensation Committee's responsibilities are set forth in its charter. In order to fulfill its responsibilities pertaining to executive and director compensation, the Compensation Committee:

- reviews, approves and, when appropriate, recommends to the Board the compensation of officers and other senior executives of the Company;
- proposes the adoption, amendment and termination of compensation plans and programs and oversees the administration of these plans and programs;
- reviews, approves and, when appropriate, recommends to the Board the form and amount of all stock incentive awards provided to eligible executives pursuant to applicable stock incentive plans; and
- reviews and recommends to the Board the form and amount of compensation paid to the Company's directors.

Our Compensation Committee has the authority to retain a consulting firm to assist it in the evaluation of compensation for our officers and has the authority to approve the consultant's fees and other retention terms. In 2018, the Compensation Committee did not retain any compensation consultants to assist in general or perform any other compensation analyses or reviews.

Executive Committee

Members:	Michael B. Targoff (Chairman), Mark H. Rachesky, M.D.
Number of Meetings in 2018:	None

The Executive Committee performs such duties as are from time to time determined and assigned to it by the Board of Directors.

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Nominating Committee

Members:	John D. Harkey, Jr. (Sole Member and Chairman)
Number of Meetings in 2018:	One meeting

The Nominating Committee assists the Board of Directors in (i) identifying individuals qualified to become members of the Board (consistent with criteria approved by the Board) and (ii) selecting, or recommending that the Board select, the director nominees for the next annual meeting of stockholders. The Nominating Committee will consider candidates for nomination as a director recommended by stockholders, directors, officers, third party search firms and other sources. Under its charter, the Nominating Committee seeks director nominees who have demonstrated exceptional ability and judgment. Nominees will be chosen with the primary goal of ensuring that the entire Board collectively serves the interests of the stockholders. Due consideration will be given to assessing the qualifications of potential nominees and any potential conflicts with the Company's interests. The Nominating Committee will also assess the contributions of the Company's incumbent directors in connection with their potential re-nomination. In identifying and recommending director nominees, the Nominating Committee members may take into account such factors as they determine appropriate, including any recommendations made by the chief executive officer and stockholders of the Company. The Nominating Committee will review all candidates in the same manner, regardless of the source of the recommendation. Individuals recommended by stockholders for nomination as a director will be considered in accordance with the procedures described under "Other Matters – Stockholder Proposals for 2020 Annual Meeting."

Neither the Nominating Committee nor the Board has a formal policy with regard to the consideration of diversity in identifying director candidates. As discussed above, however, the primary goal of the Nominating Committee is to identify candidates to ensure that the entire Board collectively serves the interests of the stockholders. Thus, in striving to achieve this goal, the Nominating Committee believes it is appropriate to consider a broad range of factors, including, among others, age, experience, skill, judgment and diversity of ethnic and cultural background of candidates for director.

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PROPOSAL 2 — INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders will act upon a proposal to ratify the selection of Deloitte & Touche LLP as the independent registered public accounting firm of the Company. If the stockholders, by the affirmative vote of the holders of a majority of the voting power of the shares represented in person or by proxy at the Annual Meeting and entitled to vote on this proposal, do not ratify the selection of Deloitte & Touche LLP, the selection of the independent registered public accounting firm will be reconsidered by the Audit Committee.

Background

The Audit Committee has selected Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2019. Deloitte & Touche LLP has advised the Company that it has no direct or indirect financial interest in the Company or any of its subsidiaries and that it has had, during the last three years, no connection with the Company or any of its subsidiaries other than as our independent registered public accounting firm and certain other activities as described below.

In accordance with its charter, the Audit Committee has established pre-approval policies with respect to annual audit, other audit and audit-related services and certain permitted non-audit services to be provided by our independent registered public accounting firm and related fees. The Audit Committee has pre-approved detailed, specific services and fees. Fees related to the annual audits of our consolidated financial statements, including the Section 404 attestation, are specifically approved by the Audit Committee on an annual basis. All fees for pre-approved other audit and audit-related services are pre-approved annually or more frequently, if required, up to a maximum amount equal to 50% of the annual audit fee as reported in our most recently filed proxy statement with the SEC. All fees for pre-approved permitted non-audit services are pre-approved annually or more frequently, if required, up to a maximum amount equal to 50% of the fees for audit and audit-related services as reported in our most recently filed proxy statement with the SEC. The Audit Committee also pre-approves any proposed engagement to provide permitted services not included in the approved list of audit and permitted non-audit services and for fees in excess of amounts previously pre-approved. The Audit Committee chairman or another designated committee member may approve these services and related fees and expenses on behalf of the Audit Committee, and the Company promptly reports such approval to the Audit Committee.

Financial Statements and Reports

The financial statements of the Company for the year ended December 31, 2018 and the reports of the independent registered public accounting firm will be presented at the Annual Meeting. Deloitte & Touche LLP will have a representative present at the meeting who will have an opportunity to make a statement if he or she so desires and to respond to appropriate questions from stockholders.

Services

During 2017 and 2018, Deloitte & Touche LLP and its affiliates (collectively, “Deloitte”) provided services consisting of the audit of the annual consolidated financial statements and internal controls over financial reporting of the Company, review of the quarterly financial statements of the Company, accounting consultations and consents and other services related to SEC filings by the Company and its subsidiaries and other pertinent matters. Deloitte also provided other permitted services to the Company in 2017 and 2018 consisting primarily of tax compliance, consultation and related services.

Audit Fees

The aggregate fees billed or expected to be billed by Deloitte for professional services rendered for the audit of the Company's annual consolidated financial statements and internal controls over financial reporting for the fiscal years ended 2017 and 2018, for the reviews of the condensed consolidated financial statements included in the Company's Quarterly Reports on Form 10 Q for the 2017 and 2018 fiscal years and for accounting research and consultation related to the audits and reviews totaled approximately $954,000 for 2017 and $939,000 for 2018. These fees were approved by the Audit Committee.

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Audit-Related Fees

The aggregate fees billed by Deloitte for audit-related services for the fiscal years ended 2017 and 2018 were $135,000 and $38,000, respectively. These fees were approved by the Audit Committee and related to research and consultation on various filings with the SEC and for 2017 also related to an internal control evaluation in connection with an allegation of fraud involving management.

Tax Fees

The aggregate fees billed or expected to be billed by Deloitte for tax-related services for the fiscal years ended 2017 and 2018 were $432,000 and $348,000, respectively. These fees related to tax consultation, preparation of federal and state tax returns and related services and were approved by the Audit Committee.

All Other Fees

There were no fees billed by Deloitte for services rendered to the Company other than the services described above under “Audit Fees,” “Audit-Related Fees” and “Tax Fees” for the fiscal years ended 2017 and 2018.

In its approval of these non-audit services, the Audit Committee has considered whether the provision of non-audit services is compatible with maintaining Deloitte’s independence.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE THEIR SHARES FOR THE PROPOSAL TO RATIFY THE SELECTION OF DELOITTE & TOUCHE LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR THE YEAR ENDING DECEMBER 31, 2019.

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PROPOSAL 3 — ADVISORY VOTE ON

COMPENSATION PAID TO OUR NAMED EXECUTIVE OFFICERS

As required by Rule 14a 21(a) of the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act"), we are seeking an advisory vote on the compensation of the Company's named executive officers as disclosed in the section of this Proxy Statement titled "Executive Compensation," including the Summary Compensation Table and narrative discussion that follows the table.

Our compensation program for our named executive officers is designed to (i) retain our named executive officers, who are critical to our long-term success; and (ii) motivate and reward them for achieving our short-term business and long-term strategic goals. We believe that in 2018 our executive compensation program was successful in implementing these objectives.

Stockholders are urged to read the section titled "Executive Compensation" of this Proxy Statement. The Board believes that the compensation paid to our named executive officers is necessary, appropriate and properly aligned with our compensation philosophy and policies.

Stockholders are being asked to approve the following advisory resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, which disclosure includes the Summary Compensation Table and other executive compensation related discussion, is hereby APPROVED.

Although the vote is non-binding, the Board of Directors and the Compensation Committee will consider the voting results, along with other relevant factors, in connection with their ongoing evaluation of the Company's compensation programs.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE THEIR SHARES, ON A NON-BINDING, ADVISORY BASIS, FOR THE PROPOSAL TO APPROVE THE COMPANY'S COMPENSATION OF ITS NAMED EXECUTIVE OFFICERS AS DESCRIBED IN THIS PROXY STATEMENT.

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REPORT OF THE AUDIT COMMITTEE

The Directors who serve on the Audit Committee are all "independent" for purposes of Nasdaq listing standards and applicable SEC rules and regulations. Among its functions, the Audit Committee reviews the financial reporting process of the Company on behalf of the Board of Directors. Management has the primary responsibility for the consolidated financial statements and the financial reporting process. The independent registered public accounting firm is responsible for expressing opinions on the conformity of the Company's financial statements to accounting principles generally accepted in the United States of America and on the effectiveness, in all material respects, of internal control over financial reporting, based on criteria established in "Internal Control – An Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have reviewed and discussed with management the Company's Annual Report on Form 10 K for the year ended December 31, 2018, which includes the Company's audited consolidated financial statements for the year ended December 31, 2018, and management's assessment of, and the independent audit of, the effectiveness of the Company's internal control over financial reporting as of December 31, 2018.

For 2018, the Audit Committee operated under a written charter adopted by the Board of Directors which is available on the Company's website at www.loral.com. All of the responsibilities enumerated in such charter, as in effect during 2018, were fulfilled for the year ended December 31, 2018.

We have reviewed and discussed with management and the independent registered public accounting firm, Deloitte & Touche LLP, the Company's consolidated financial statements as of and for the year ended December 31, 2018.

We have discussed with the independent registered public accounting firm, Deloitte & Touche LLP, the matters required to be discussed by the Sarbanes-Oxley Act of 2002, Public Company Accounting Oversight Board (United States) ("PCAOB") Standard No. 16, Communication with Audit Committees, Rule 2 07, Communication with the Audit Committee, of Regulation S-X of the SEC and PCAOB Auditing Standard No. 5, An Audit of Internal Control over Financial Reporting that is Integrated with an Audit of Financial Statements.

We have received and reviewed the written disclosures from Deloitte & Touche LLP, required by PCAOB Rule 3526, Communications with Audit Committees Concerning Independence, and have discussed with the independent registered public accounting firm the firm's independence.

Based on the activities referred to above, we recommended to the Board of Directors that the financial statements referred to above be included in the Company's Annual Report on Form 10 K for the year ended December 31, 2018.

The Audit Committee

Arthur L. Simon, Chairman

John D. Harkey, Jr.

John P. Stenbit

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EXECUTIVE COMPENSATION

The following table sets forth information with respect to compensation awarded or paid to the named executive officers of the Company for services rendered during the Company's last two completed fiscal years ended December 31, 2018 and 2017. No stock awards, long-term compensation, options or stock appreciation rights were granted to any of the named executive officers during the last two fiscal years.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus(1) ($)	All Other Compensation(2) ($)	Total ($)
Avi Katz	2018	$ 602,133	$ 470,386	$ 186,732	$ 1,259,251
President, General Counsel and Secretary	2017	$ 587,043	$ 460,260	$ 173,770	$ 1,221,073
John Capogrossi	2018	$ 417,732	$ 271,943	$ 115,465	$ 805,140
Vice President, Chief Financial Officer and Treasurer	2017	$ 407,263	$ 266,089	$ 107,476	$ 780,828
Ravinder S. Girgla	2018	$ 306,129	$ 199,290	$ 51,413	$ 556,832
Vice President and Controller	2017	$ 265,999	$ 195,000	$ 27,555	$ 488,554

(1) Amounts in the "Bonus" column in the Summary Compensation Table above represent discretionary annual cash bonus incentives awarded under our Management Incentive Bonus program (described below in "Narrative Disclosure to Summary Compensation Table").

(2) The "All Other Compensation" column in the Summary Compensation Table above is, for 2018, comprised of the following components: (i) for Mr. Katz: $8,721 in life insurance premiums paid by the Company, $11,001 in Company 401(k) matching contributions and a $167,010 SERP Make-Whole Payment (defined below in "Narrative Disclosure to Summary Compensation Table"); (ii) for Mr. Capogrossi: $3,315 in life insurance premiums paid by the Company, $11,001 in Company 401(k) matching contributions and a $101,149 SERP Make-Whole Payment; and (iii) for Mr. Girgla: $2,589 in life insurance premiums paid by the Company, $11,001 in Company 401(k) matching contributions and a $37,823 SERP Make Whole Payment.

Narrative Disclosure to Summary Compensation Table

Annual Bonus

We provide a discretionary annual cash bonus incentive for our named executive officers under our Management Incentive Bonus or MIB program to motivate and reward our named executive officers for their efforts towards achieving our annual, short-term corporate goals, as well as our long-term strategic goals. Our Compensation Committee administers the MIB program, sets target bonus opportunities and determines the amounts payable under the MIB program each year, which may be more or less than the target opportunity. The table below sets forth the target bonus opportunity for 2018 for each named executive officer.

Name	Target Bonus Opportunity (as a % of salary)

Avi Katz	60%
John Capogrossi	50%
Ravinder S. Girgla	50%

In March 2019, the Compensation Committee reviewed, on a subjective basis, the individual performance of the participants in the MIB program during 2018, including the named executive officers, and specifically noted their excellent performance in their areas of responsibility, and approved payment of discretionary bonuses to the named executive officers at the same level as in 2017 (with the only adjustments relating to the ordinary course cost of living increase to base salaries). These 2018 bonus awards resulted in a bonus payment to each of Messrs. Katz, Capogrossi and Girgla at an aggregate of 130% of their target bonus opportunities. These bonus amounts are included in the "Bonus" column of the Summary Compensation Table.

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Retirement Benefits

The Company maintains two types of qualified retirement plans covering its executive officers: a defined benefit pension plan and a defined contribution savings plan.

As of December 31, 2018, the qualified defined benefit pension plan covered all of our named executive officers. In 2006, the Company changed this plan, which previously had been administered on a non-contributory basis, to require certain contributions by participants which had the effect of sharing the cost of providing qualified pension benefits with the named executive officers.

As of December 31, 2018, the defined contribution savings plan benefited all named executive officers. Named executive officers who make contributions to this plan receive matching contributions from the Company of up to 6% of a participant's eligible base salary at a rate of 66 %.

As discussed below, named executive officers are also provided with annual SERP Make-Whole Payments, which are included in the "All Other Compensation" column of the Summary Compensation Table.

SERP Make-Whole Payments

Our qualified defined benefit pension plan is subject to the Internal Revenue Code's limits on covered compensation and benefits payable. Prior to 2014, pension benefits were also provided through a "non-qualified" plan. The non-qualified plan, also known as the Supplemental Executive Retirement Plan ("SERP"), was designed to "restore" the benefit levels that IRS regulations limited in qualified plans. Under the SERP, each participant was entitled to receive the difference, if any, between the full amount of retirement income due under the pension plan formula without application of the IRS limitations and the amount of retirement income payable to the participant under the pension plan formula when applicable Internal Revenue Code limitations are applied. Our Board approved termination of the SERP in December 2012, and final lump sum payouts were made to participants in December 2013.

In January 2014, the Board approved annual make-whole payments (the "SERP Make-Whole Payments") to employees, including Loral's named executive officers, who would have earned SERP benefits had the SERP not been terminated. Specifically, with respect to periods after the final lump sum payouts to participants in December 2013, each employee who would have qualified for a SERP accrual for that period receives a cash payment equal to such employee's annual accrued benefit at age 65 that would have been calculated for that period under the SERP (had it not been terminated) multiplied by a present value factor reflecting the employee's life expectancy and current age and the discount rate used by the Company in its financial statements at the beginning of the year. The SERP Make Whole Payment is paid at the end of the year the benefit is earned, early the following year or upon termination of employment if earlier. Messrs. Katz, Capogrossi and Girgla received SERP Make-Whole Payments in January 2019 with respect to the 2018 fiscal year.

Potential Change in Control and other Post Employment Payments

None of our named executive officers has an employment or other agreement with the Company that provides for potential severance or other post-termination payments.

Loral Severance Policy for Corporate Officers

Severance payments for our named executive officers, as of December 31, 2018, were governed by the Loral Space & Communications Inc. Severance Policy for Corporate Officers (amended and restated as of August 4, 2011). This policy provides for potential severance benefits for the named executive officers following the termination of an

eligible officer's employment by the Company without cause, including termination without cause in connection with or in contemplation of a Corporate Event (defined to include, among other things, a change of control of Loral or the closing or cessation or reduction in the scope of operations, in whole or in part, of Loral's corporate headquarters), in each case, subject to the execution of a release of claims in favor of the Company.

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Pursuant to this policy, in the event of termination without cause, Messrs. Katz and Capogrossi will be entitled to cash severance payments aggregating to the sum of (x) twelve months' pay (defined as base salary plus average annual incentive bonus compensation paid over the last two years of employment) and (y) twelve months' base salary. If such termination is in connection with a Corporate Event, the entire payment will be made in a lump sum within twenty days of termination and will not be subject to mitigation for subsequent employment. To the extent that such termination is not in connection with a Corporate Event, payment will be made in installments as follows. The terminated officer will receive an initial lump sum payment within twenty days of termination, not subject to mitigation, equal to the greater of (A) six months' pay and (B) the sum of three months' pay plus two weeks' base salary for every year of service with the Company plus one twelfth of two weeks' base salary for every month of service with the Company in excess of his full years of service with the Company. If the officer is unemployed after six months (or if the officer is employed at a rate of pay that is less than his rate of pay immediately prior to termination), the remainder of his cash severance (the "Remainder") will be paid in biweekly installments over eighteen months beginning on the six-month anniversary of termination, the first thirteen payments, if any, aggregating to the lesser of six months' pay and such Remainder, and the next twenty-six payments, if any, aggregating to the lesser of one year's base salary and the excess of the Remainder over six months' pay. For terminations not in connection with a Corporate Event, the Remainder is subject to reduction by any amount of compensation then being received by the officer from other employment (including self-employment).

Pursuant to this policy, in the event of termination without cause in connection with or in contemplation of a Corporate Event, Mr. Girgla will be entitled to cash severance payments aggregating to the sum of six months' pay plus two weeks' pay for every year of service with the Company plus one twelfth of two weeks' pay for every month of service with the Company in excess of his full years of service with the Company, and the entire payment will be made in a lump sum within twenty days of termination and will not be subject to mitigation for subsequent employment. If such termination is not in connection with a Corporate Event, Mr. Girgla will be entitled to cash severance payments aggregating to the sum of six months' pay plus two weeks' base salary for every year of service with the Company plus one twelfth of two weeks' base salary for every month of service with the Company in excess of his full years of service with the Company, and payment will be made in installments as follows. Mr. Girgla will receive an initial lump sum payment within twenty days of termination, not subject to mitigation, equal to the sum of three months' pay plus two weeks' base salary for every year of service with the Company plus one twelfth of two weeks' base salary for every month of service with the Company in excess of the officer's full years of service with the Company. If he is unemployed after three months (or if he is employed at a rate of pay that is less than his rate of pay immediately prior to termination), the remainder of his cash severance will be paid in biweekly installments over twelve weeks beginning on the three-month anniversary of the termination, subject to reduction by any amount of compensation then being received by him from other employment (including self-employment).

Under this policy, a terminated officer will also be entitled to continued participation in the Company's medical, prescription, dental and vision insurance coverage. The Company offers medical coverage to retirees who are not yet eligible for Medicare, and a terminated officer may, if eligible, elect to participate in the Company's Retiree Medical Plan by electing to receive benefits from the Loral pension plan. Alternatively, the officer may elect COBRA continuation coverage, and, during the "severance period," the Company will pay the officer each month an amount equal to the excess, if any, of the full monthly COBRA premiums for such coverage under the Company's benefit plans under which such medical and dental coverage is provided, as in effect from time to time, over the amount of the portion of such premiums the officer would pay if the officer were an active employee (the "COBRA Reimbursement"). The term "severance period" during which Messrs. Katz and Capogrossi are entitled to the COBRA Reimbursement means the period ending on the earlier of the date that is 24 months following termination and the date such officer becomes eligible for coverage under the plans offered by a subsequent employer. The term "severance period" during which Mr. Girgla is entitled to the COBRA Reimbursement means the period ending on the earlier of the date that is either (x) 14 months following termination without cause not in connection with a Corporate Event or (y) 18 months following termination without cause in connection with a Corporate Event, and the date he becomes eligible for

coverage under the plans offered by a subsequent employer. During the "severance period," the officer will also be entitled to continued company-provided executive life insurance benefits, to the extent the officer was receiving such benefits prior to his termination.

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Other Potential Post-Termination Payments

Our named executive officers are eligible to receive a bonus under our MIB program if they are terminated without cause after six months of service during a bonus year, pro-rated for the period during which they served prior to their termination. In addition, they are entitled to receive any accrued but unpaid SERP Make-Whole Payments with respect to the period during which they served prior to their termination for any reason. The MIB payments and SERP Make-Whole Payments to which Messrs. Katz, Capogrossi and Girgla were entitled as of December 31, 2018 were paid to them in 2019 and are set forth above in the "Bonus" column and in the "All Other Compensation" column, respectively, of the Summary Compensation Table.

No executive officer is entitled to a tax gross-up payment in the event that he becomes subject to any parachute payment excise taxes under Section 4999 of the Internal Revenue Code.

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OWNERSHIP OF VOTING COMMON STOCK

Principal Holders of Voting Common Stock

The following table shows, based upon filings made with the Company, certain information as of March 28, 2019 concerning persons who may be deemed beneficial owners of 5% or more of the outstanding shares of Voting Common Stock because they possessed or shared voting or investment power with respect to the shares of Voting Common Stock.

Name and Address	Amount and Nature of Beneficial Ownership		Percent of Class(1)	
Various funds affiliated with MHR Fund Management LLC and Mark H. Rachesky, M.D.(2) 1345 Avenue of the Americas, 42nd Floor, New York, NY 10105	8,544,419	(3)	39.9	%(3)
Various entities affiliated with Highland Capital Management, L.P. and James D. Dondero(4) 300 Crescent Court, Suite 700, Dallas, TX 75201	2,065,258		9.6	%
Mario J. Gabelli and various entities directly or indirectly controlled by him or for which he serves as chief investment officer(5) One Corporate Center, Rye, NY 10580 1435	1,753,118		8.2	%
Solus Alternative Asset Management LP., Solus GP LLC and Christopher Pucillo(6) 410 Park Avenue, 11th Floor, New York, NY 10022	1,535,202		7.2	%
The Vanguard Group(7) 100 Vanguard Boulevard, Malvern, PA 19355	1,134,480		5.3	%

(1) Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d 3 under the Securities Exchange Act and is based upon the 21,427,078 shares of Voting Common Stock outstanding as of March 28, 2019.

(2) Information based on Amendment Number 27 to Schedule 13D, filed with the SEC on March 11, 2016, relating to securities held for the accounts of each of MHR Capital Partners Master Account II Holdings LLC ("Master Account II Holdings"), a Delaware limited liability company, MHR Capital Partners (100) LP ("Capital Partners (100)"), MHR Institutional Partners LP ("Institutional Partners"), MHRA LP ("MHRA"), MHRM LP ("MHRM"), MHR Institutional Partners II LP ("Institutional Partners II"), MHR Institutional Partners IIA LP ("Institutional Partners IIA") and MHR Institutional Partners III LP ("Institutional Partners III"), each (other than Master Account II Holdings) a Delaware limited partnership. MHR Capital Partners Master Account II LP ("Master Account II"), a limited partnership organized in the Republic of the Marshall Islands, is the sole member of Master Account II Holdings, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the account of Master Account II Holdings. MHR Advisors LLC ("Advisors") is the general partner of each of Master Account II and Capital Partners (100), and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings and Capital Partners (100).

MHR Institutional Advisors LLC ("Institutional Advisors") is the general partner of each of MHR Institutional Partners LP ("Institutional Partners"), MHRA and MHRM, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners, MHRA and MHRM. MHR Institutional Advisors II LLC ("Institutional Advisors II") is the general partner of each of Institutional Partners II and Institutional Partners IIA, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners II and Institutional Partners IIA. MHR Institutional Advisors III LLC ("Institutional Advisors III") is the general partner of Institutional Partners III, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the account of Institutional Partners III. MHR is a Delaware limited liability company that is an affiliate of and has an investment management agreement with Master Account II, Capital Partners (100), Institutional Partners, MHRA, MHRM, Institutional Partners II, Institutional Partners IIA and Institutional Partners III, and other affiliated entities, pursuant to which it has the power to vote or direct the vote and to dispose or to direct the disposition of the shares of Voting Common Stock reported herein and, accordingly, MHR may be deemed to beneficially own the shares of Voting Common Stock reported herein which are held for the account of each of Master Account II Holdings, Capital Partners (100), Institutional Partners, MHRA, MHRM, Institutional Partners II, Institutional Partners IIA and Institutional Partners III. MHR Holdings LLC ("MHR Holdings"), a Delaware limited liability company, is the managing member of MHR and, in such capacity, may be deemed to beneficially own any shares of Voting Common Stock that are deemed to be beneficially owned by MHR.

MHRC LLC ("MHRC") is the managing member of Advisors and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings and Capital Partners (100). MHRC I LLC ("MHRC I") is the managing member of Institutional Advisors and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of Institutional Partners, MHRA and MHRM. MHRC II LLC ("MHRC II") is the managing member of Institutional Advisors II and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners II and Institutional Partners IIA.

Mark H. Rachesky, M.D. ("Dr. Rachesky") is the managing member of MHRC and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings and Capital Partners (100). Dr. Rachesky is the managing member of MHRC II and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners II and Institutional Partners IIA. Dr. Rachesky is the manager of MHRC I and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners, MHRA and MHRM. Dr. Rachesky is the managing member of Institutional Advisors III and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the account of Institutional Partners III. Dr. Rachesky is the managing member of MHR Holdings, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings, Capital Partners (100), Institutional Partners, MHRA, MHRM, Institutional Partners II, Institutional Partners IIA and Institutional Partners III.

(3) Includes 8,529,419 shares of Voting Common Stock held by funds affiliated with MHR and 15,000 shares of Voting Common Stock held directly by Dr. Rachesky. Various funds affiliated with MHR also own 9,505,673 shares of Non-Voting Common Stock, which, when taken together with the shares of Voting Common Stock owned by all funds affiliated with MHR, represent approximately 58.4% of the issued and outstanding shares of Voting Common Stock and Non-Voting Common Stock of Loral as of March 28, 2019. Does not include 35,102 restricted stock units awarded to Dr. Rachesky that are payable, in the sole discretion of the Company, in cash or in stock.

(4) Information based solely on a Schedule 13G/A (Amendment No. 7), filed with the SEC on February 14, 2019, by Highland Global Allocation Fund, Highland Capital Management Fund Advisors, L.P., Strand Advisors XVI, Inc., NexPoint Strategic Opportunities Fund (formerly NexPoint Credit Strategies Fund), NexPoint Advisors, L.P., NexPoint Advisors GP, LLC, Highland Capital Management, L.P., Strand Advisors, Inc. and James D. Dondero (collectively, the "Highland Reporting Persons"). According to the Schedule 13G/A, Mr. Dondero may be deemed to be the beneficial owner of, and he has shared power to vote and dispose of, the aggregate 2,065,258 shares of Voting Common Stock held by the Highland Reporting Persons.

(5) Information based solely on Amendment No. 3 to Schedule 13D filed with the SEC on August 9, 2018 by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer (collectively, the "Gabelli Reporting Persons"). According to Amendment No. 3 to Schedule 13D, the Gabelli Reporting Persons beneficially own shares of Voting Common Stock as follows: GAMCO Asset Management Inc. ("GAMCO") beneficially owns 845,598 shares of Voting Common Stock; Gabelli Funds, LLC ("Gabelli Funds") beneficially owns 722,052 shares of Voting Common Stock; Gabelli & Company Investment Advisors, Inc. beneficially owns 150,668 shares of Voting Common Stock; Mr. Gabelli owns 400 shares of Voting Common Stock; GAMCO Investors, Inc. ("GBL") beneficially owns 2,500 shares of Voting Common Stock; Gabelli Foundation, Inc. ("Foundation") beneficially owns 2,000 shares of Voting Common Stock; MJG Associates, Inc. ("MJG Associates") beneficially owns 29,300 shares of Voting Common Stock; and Associated Capital Group, Inc. ("AC") beneficially owns 600 shares of Voting Common Stock. Mr. Gabelli is deemed to be the beneficial owner of all of the shares of Voting Common Stock owned beneficially by each of the foregoing Gabelli Reporting Persons. Each of the Gabelli Reporting Persons has the sole power to vote or direct the vote and sole power to dispose or to direct the disposition of the shares of Voting Common Stock reported for it, either for its own benefit or for the

benefit of its investment clients or its partners, as the case may be, except that (i) GAMCO does not have the authority to vote 66,700 of the reported shares, (ii) Gabelli Funds has sole dispositive and voting power with respect to the shares of Voting Common Stock held by certain funds for which it provides advisory services (the "Funds") so long as the aggregate voting interest of all joint filers does not exceed 25% of their total voting interest in Loral and, in that event, the proxy voting committee of each Fund shall respectively vote that Fund's shares, (iii) at any time, the proxy voting committee of each such Fund may take and exercise in its sole discretion the entire voting power with respect to the shares held by such Fund under special circumstances such as regulatory considerations, and (iv) the power of Mr. Gabelli, AC, GBL and GGCP, Inc. is indirect with respect to shares of Voting Common Stock beneficially owned directly by other Gabelli Reporting Persons.

(6) Information based solely on a Schedule 13G/A (Amendment No. 11), filed with the SEC on February 14, 2019, by Solus Alternative Asset Management LP, Solus GP LLC and Christopher Pucillo (the "Solus Reporting Persons") relating to securities held, as of December 31, 2018, by certain investment funds and/or accounts managed on a discretionary basis. According to the Schedule 13G/A, the Solus Reporting Persons have shared voting and dispositive power with respect to the shares held, and one such account, SOLA LTD, had the right to receive or the power to direct the receipt of dividends or the proceeds from the sale of more than 5% of the Voting Common Stock.

(7) Information based solely on a Schedule 13G, filed with the SEC on February 11, 2019, by The Vanguard Group (the "Vanguard Group") relating to securities held, as of December 31, 2018. According to the Schedule 13G, the Vanguard Group has sole voting power with respect to 29,951 shares held, shared voting power with respect to 5,600 shares held, sole dispositive power with respect to 1,103,563 shares held and shared dispositive power with respect to 30,917 shares held. According the Schedule 13G, Vanguard Fiduciary Trust Company, a wholly-owned subsidiary of the Vanguard Group, is the beneficial owner of 25,317 shares as a result of its serving as investment manager of collective trust accounts, and Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of the Vanguard Group, is the beneficial owners of 10,234 shares as a result of its serving as investment manager of Australian investment offerings.

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Voting Common Stock Ownership by Directors and Executive Officers

The following table presents the number of shares of Voting Common Stock beneficially owned by the directors, the nominees for director, the named executive officers and all directors, nominees for director and named executive officers as a group as of March 28, 2019. Individuals have sole voting and dispositive power over the stock unless otherwise indicated in the footnotes.

Name of Individual	Amount and Nature of Beneficial Ownership		Percent of Class(1)	
John Capogrossi	7,803		*	
Ravinder S. Girgla	0		*	
John D. Harkey, Jr.	6,000	(2)	*	
Avi Katz	0		*	
Mark H. Rachesky, M.D.	8,544,419	(3)	39.9	%
Arthur L. Simon	0	(4)	*	
John P. Stenbit	6,000	(5)	*	
Michael B. Targoff	124,766	(6)	*	
Janet T. Yeung	13,885		*	
All directors, named executive officers and other executive officers as a group (9 persons)	8,702,873	(7)	40.6	%

*Represents holdings of less than one percent.

(1) Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d 3 under the Securities Exchange Act and is based upon the 21,427,078 shares of Voting Common Stock outstanding as of March 28, 2019.

(2) Does not include 14,040 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock.

(3) Includes 8,529,419 shares of Voting Common Stock held by funds affiliated with MHR and 15,000 shares of Voting Common Stock held directly by Dr. Rachesky. Does not include 35,102 vested restricted stock units held directly by Dr. Rachesky, payable, in the sole discretion of the Company, in cash or in stock. Does not include 9,505,673 shares of Non-Voting Common Stock held by funds affiliated with MHR. Dr. Rachesky is deemed to be the beneficial owner of Voting Common Stock and Non-Voting Common Stock held by the funds affiliated with MHR by virtue of his status as the managing member of MHRC, MHRC II, Institutional Advisors III and MHR Holdings and as manager of MHRC I. See "Ownership of Voting Common Stock – Principal Holders of Voting Common Stock" above.

(4)

Does not include 12,080 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock.

(5) Includes 6,000 shares of Voting Common Stock owned by a trust for the benefit of Mr. Stenbit's wife of which Mr. Stenbit disclaims beneficial ownership. Does not include 14,040 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock.

(6) Includes 81,872 shares owned directly, 17,000 shares owned by a trust of which Mr. Targoff is a trustee and of which Mr. Targoff disclaims beneficial ownership and 25,894 shares owned by a charitable foundation of which Mr. Targoff is president and of which Mr. Targoff disclaims beneficial ownership.

(7) Does not include 75,262 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

MHR Fund Management LLC

In connection with the transaction in which Loral acquired its interest in Telesat, on October 31, 2007, Loral and certain of its subsidiaries, Public Sector Pension Investment Board ("PSP") and one of its subsidiaries, two third-party investors, Telesat and MHR entered into a Shareholders Agreement (the "Shareholders Agreement"). Under the Shareholders Agreement, subject to certain exceptions, in the event that either (i) ownership or control, directly or indirectly, by Dr. Rachesky of Loral's voting stock falls below certain levels other than in connection with certain specified circumstances, including an acquisition by a Strategic Competitor (as defined in the Shareholders Agreement) or (ii) there is a change in the composition of a majority of the members of the Loral Board over a consecutive two-year period without the approval of the incumbent directors, Loral will lose its veto rights relating to certain extraordinary actions by Telesat. In addition, after either of these events, PSP will have certain rights to enable it to exit from its investment in Telesat, including a right to cause Telesat to conduct an initial public offering in which PSP's shares would be the first shares offered or, if no such offering has occurred within one year due to a lack of cooperation from Loral or Telesat, to cause the sale of Telesat and to drag along the other shareholders in such sale, subject to Loral's right to call PSP's shares at fair market value.

The Shareholders Agreement provides for a board of directors of Telesat consisting of 10 directors, three nominated by Loral, three nominated by PSP and four independent directors to be selected by a nominating committee comprised of one PSP nominee, one nominee of Loral and one of the independent directors then in office. Each party to the Shareholders Agreement is obligated to vote all of its Telesat shares for the election of the directors nominated by the nominating committee. Pursuant to action by the board of directors taken on October 31, 2007, Dr. Rachesky, who is non-executive Chairman of the Board of Loral, was appointed non-executive Chairman of the Board of Directors of Telesat. In addition, Mr. Targoff, Loral's Vice Chairman, serves on the board of directors of Telesat.

Dr. Rachesky, President of MHR, and Ms. Yeung, a principal and General Counsel of MHR, are directors of Loral and, in that capacity, received compensation from Loral. See "Director Compensation" above.

Consulting Agreement

On December 14, 2012, Loral entered into a consulting agreement with Michael B. Targoff, Vice Chairman of the Company and former Chief Executive Officer and President. Pursuant to this agreement, Mr. Targoff is engaged as a part-time consultant to the Board to assist the Board with respect to the oversight of strategic matters relating to Telesat and XTAR. Under the consulting agreement, Mr. Targoff receives consulting fees of $120,000 per month before deduction of certain net expenses for which he reimburses the Company. For the year ended December 31, 2018, Mr. Targoff earned $1,440,000 (before his expense reimbursement to Loral of $45,000).

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OTHER MATTERS

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires our executive officers, directors and persons who own more than 10% of our Voting Common Stock to file reports with the SEC. Based solely on a review of the copies of reports furnished to us and written representations that no other reports were required, Loral believes that, during 2018, all filing requirements were met on a timely basis.

Solicitation of Proxies

The Company pays all of the costs of soliciting proxies. We will ask banks, brokers and other nominees and fiduciaries to forward the proxy materials to the beneficial owners of our Voting Common Stock and to obtain the authority of executed proxies. We will reimburse them for their reasonable expenses. We did not retain a proxy solicitor in connection with the 2019 Annual Meeting.

Stockholder Proposals for 2020 Annual Meeting

Any stockholder who intends to present a proposal for inclusion in our proxy materials for our 2020 Annual Meeting of Stockholders pursuant to Rule 14a 8 under the Securities Exchange Act must deliver the proposal to the Corporate Secretary of the Company at our principal executive offices, located at Loral Space & Communications Inc., 600 Fifth Avenue, New York, New York 10020, not later than December 13, 2019. The notice and the proposal must satisfy the requirements specified in Rule 14a 8.

Any stockholder who intends to nominate a candidate for director election at the 2020 Annual Meeting of Stockholders or who intends to submit a proposal pursuant to our Bylaws without including such proposal in our proxy materials pursuant to Rule 14a 8 must deliver timely notice of the nomination or the proposal to the Corporate Secretary of the Company at our principal executive offices, located at Loral Space & Communications Inc., 600 Fifth Avenue, New York, New York 10020, in the form provided in, and by the date required by, our Bylaws. To be timely, a stockholder's notice must be delivered not later than the close of business on the ninetieth (90th) day (February 16, 2020), nor earlier than the close of business on the one hundred twentieth (120th) day (January 17, 2020), prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than seventy (70) days after such anniversary date, notice by the stockholder must be so delivered not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Company. The written notice must include certain information and satisfy the requirements set forth in our Bylaws, a copy of which will be sent to any stockholder upon written request to the Corporate Secretary of the Company.

Communications with the Board

Stockholders and other interested parties wishing to communicate with the Board of Directors, the non management directors or with an individual Board member concerning the Company may do so by writing to the Board, to the non-management directors or to the particular Board member and mailing the correspondence to Loral Space & Communications Inc., 600 Fifth Avenue, New York, New York 10020, Attention: President, General Counsel and Secretary. If from a stockholder, the envelope should indicate that it contains a stockholder communication. All such communication will be forwarded to the director or directors to whom the communications are addressed.

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Code of Ethics

Loral has adopted a Code of Conduct for all of its employees, including all of its executive officers. This Code of Conduct is available on the Investor Relations — Corporate Governance section of our web site at www.loral.com. Any amendments or waivers to this Code of Conduct with respect to Loral's principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions) will be posted on such web site. One may also obtain, without charge, a copy of this Code of Conduct by contacting our Investor Relations Department at (212) 697 1105.

Householding

Under SEC rules, a single set of proxy statements and annual reports may be sent to any household at which two or more stockholders reside if they appear to be members of the same family. Each stockholder continues to receive a separate proxy card. This procedure, referred to as "householding," reduces the volume of duplicate information stockholders receive and reduces mailing and printing expenses. At the present time, we do not "household" for any of our stockholders of record. If a stockholder holds shares in street name, however, such beneficial holder's bank, broker or other nominee may be delivering only one copy of our Proxy Statement and Annual Report on Form 10 K to multiple stockholders of the same household who share the same address, and may continue to do so, unless such stockholder's bank, broker or other nominee has received contrary instructions from one or more of the affected stockholders in the household. We will deliver promptly, upon written or oral request, a separate copy of this Proxy Statement and our Annual Report on Form 10 K to a stockholder at a shared address to which a single copy of the documents was delivered. A beneficial holder who wishes to receive a separate copy of our Proxy Statement and Annual Report on Form 10 K, now or in the future, should submit this request by writing to Loral Space & Communications Inc., 600 Fifth Avenue, New York, New York 10020, Attention: Investor Relations Department, or by calling our Investor Relations Department at (212) 697 1105. Beneficial holders sharing an address who are receiving multiple copies of proxy materials and annual reports and who wish to receive a single copy of such materials in the future should contact their bank, broker or other nominee directly to request that only a single copy of each document be mailed to all stockholders at the shared address in the future. Stockholders of record receiving multiple copies of our Proxy Statement and Annual Report on Form 10 K may request householding by contacting our Investor Relations Department either in writing or by telephone at the above address or phone number.

llllllllllllllllllllllllllllllllllllllllllllllllllllllllllllll Loral Space & Communications Inc. IMPORTANT ANNUAL MEETING INFORMATION Using a black ink pen, mark your votes with an X as shown in X this example. Please do not write outside the designated areas. Annual Meeting Proxy Card PLEASE FOLD ALONG THE PERFORATION,DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. A Proposals -The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals 2 - 3. + 1. Election of Two Class.I Directors: For Withhold For Withhold 3.Acting upon a proposal to approve, on a non-binding, advisory basis, compensation of the Company's named executive officers as described in the Company's Proxy Statement. 01-Arthur L.·Simon 02 - John P. Stenbit For Withhold For Against Abstain For Against Abstain 2. Acting upon a proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31,2019. B Authorized Signatures - This section must be completed for your vote to be counted. - Date and Sign Below Please sign exactly as name or names appear hereon. When signing as an attorney, executor, administrator, trustee or guardian, please give your full title as such; if by a corporation, by an authorized officer; if by a partnership, in partnership name by an authorized person. For joint owners, all co-owners must sign. Date (mm/dd/yyyy) - Please print date below. / / Signature 1 - Please keep signature within the box. Signature 2 - Please keep signature within the box. 11 ----1-1 ---• + 1 U PX 4 1 5 4 1 7 2 0313AA

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PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. Proxy - Loral Space & Communications Inc. Notice of 2019 Annual Meeting of Stockholders Revocable Proxy Solicited by Board of Directors for Annual Meeting - May 16, 2019 Avi Katz and John Capogrossi, and each of them, are hereby appointed the proxies of the undersigned, with full power of substitution on behalf of the undersigned to vote, as designated below, all the shares of the undersigned at the Annual Meeting of Stockholders of LORAL SPACE & COMMUNICATIONS INC. (the "Company"), to be held at the offices of Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York, at 10:30 A.M., on Thursday, May 16, 2019 and at all adjournments or postponements thereof, in the manner provided below and in such person's or persons' sole discretion upon any other matter that may properly come before such meeting or any adjournment or postponement thereof, including to vote for the election of a substitute nominee for director as such person or persons may select in the event a nominee becomes unable to serve. This Proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is indicated, this PROXY will be voted FOR the election of nominees listed hereon and FOR Proposals 2 and 3. The Board of Directors recommends that stockholders vote their shares in favor of the election of the Class·I Directors that have been nominated by the Board and in favor of Proposals 2 and 3. The stockholder(s) signed on the reverse side of this proxy acknowledge(s) receipt of the Notice of Annual Meeting and accompanying Proxy Statement. (Items to be voted appear on reverse side.)

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1111111111111111111111111111111111111111111111111111111111 Loral Space & Communications Inc. llllllllllllllllllllllllllllllllllllll lllllllllllllllllllllllllllllllllC123456789 I IMPORTANT ANNUAL MEETING INFORMATION I 000004 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext 000000000.000000 ext ENDORSEMENT_LINE SACKPACK _ _ 1• ••11 ••1.1 ••11••1 ••1.1.1 • • • •11 ••1.1 ••11 ••1 ••111 •• •1 MRASAMPLE DESIGNATION (IF ANY) ADD 1 ADD2 ADD3 ADD5 ADD6 Using a black ink pen, mark your votes with an X as shown in X this example. Please do not write outside the designated areas. Annual Meeting Proxy Card PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. A Proposals - The Board of Directors recommends a vote FOR all the nominees listed and FOR Proposals 2-3. + 1. Election of Two Class I Directors: For Withhold For Withhold 01 - Arthur L. Simon 02 - John-Stenbit For Against Abstain For Against Abstain 2. Acting upon a proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the year ending December 31, 2019. 3. Acting upon a proposal to approve, on a non-binding, advisory basis, compensation of the Company's named executive officers as described in the Company's Proxy Statement. B Non-Voting Items Change of Address - Please print new address below. Meeting Attendance Mark box to the right if you plan to attend the Annual Meeting. C Authorized Signatures - This section must be completed for your vote to be counted. - Date and Sign Below Please sign exactly as name or names appear hereon. When signing as an attorney, executor, administrator, trustee or guardian, please give your full title as such; if by a corporation, by an authorized officer; if by a partnership, in partnership name by an authorized person. For joint owners, all co-owners must sign. Date (mm/dd/yyyy) - Please print date below. Signature 1 - Please keep signature within the box. Signature 2 - Please keep signature within the box. / / c 1234567890 JNT 4 1 5 4 1 7 1 MR A SAMPLE (THIS AREA IS SET UP TO ACCOMMODATE 140 CHARACTERS) MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND MR A SAMPLE AND + 111111111111111111111111111111 03139A 1 U PX

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PLEASE FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. Proxy - Loral Space & Communications Inc. Notice of 2019. Annual Meeting of Stockholders Revocable Proxy Solicited by Board of Directors for Annual Meeting - May 16, 2019 Avi Katz and John Capogrossi, and each of them, are hereby appointed the proxies of the undersigned, with full power of substitution on behalf of the undersigned to vote, as designated below, all the shares of the undersigned at the Annual Meeting of Stockholders of LORAL SPACE & COMMUNICATIONS INC. (the "Company"), to be held at the offices of Willkie Farr & Gallagher LLP, 787 Seventh Avenue, New York, New York, at 10:30 A.M., on Thursday, May 16, 2019 and at all adjournments or postponements thereof, in the manner provided below and in such person's or persons' sole discretion upon any other matter that may properly come before such meeting or any adjournment or postponement thereof, including to vote for the election of a substitute nominee for director as such person or persons may select in the event a nominee becomes unable to serve. This Proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. If no direction is indicated, this PROXY will be voted FOR the election of nominees listed hereon and FOR Proposals 2 and 3. The Board of Directors recommends that stockholders vote their shares in favor of the election of the Class I Directors that have been nominated by the Board and in favor of Proposals 2 and 3. The stockholder(s) signed on the reverse side of this proxy acknowledge(s) receipt of the Notice of Annual Meeting and accompanying Proxy Statement. (Items to be voted appear on reverse side.