UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-33117

GLOBALSTAR, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**41-2116508**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1351 Holiday Square Blvd.
Covington, Louisiana 70433
(Address of principal executive offices and zip code)
Registrant's Telephone Number, Including Area Code: **(985) 335-1500**

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

Title of each class	Name of exchange on which registered	Trading Symbol
Voting Common Stock	**NYSE American**	**GSAT**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
(Do not check if a smaller reporting company)	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 26, 2019, 1,451,811,065 shares of voting common stock were authorized and outstanding and no shares of nonvoting common stock were authorized or outstanding. Unless the context otherwise requires, references to common stock in this Report mean the Registrant’s voting common stock.

FORM 10-Q

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

GLOBALSTAR, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(In thousands, except per share data)

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue:				
Service revenue	$ 26,700	$ 27,995	$ 52,819	$ 54,005
Subscriber equipment sales	4,491	5,731	8,450	8,470
Total revenue	31,191	33,726	61,269	62,475
Operating expenses:				
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	9,395	9,526	19,248	18,555
Cost of subscriber equipment sales	3,578	4,170	6,727	6,342
Marketing, general and administrative	11,022	15,944	22,628	27,219
Revision to contract termination charge	—	(20,478)	—	(20,478)
Depreciation, amortization and accretion	23,852	22,616	47,653	41,847
Total operating expenses	47,847	31,778	96,256	73,485
Operating income (loss)	(16,656)	1,948	(34,987)	(11,010)
Other income (expense):				
Interest income and expense, net of amounts capitalized	(12,808)	(10,305)	(25,678)	(17,658)
Derivative gain (loss)	35,116	(2,059)	92,124	106,885
Gain on legal settlement	120	6,779	120	6,779
Other	474	(3,351)	465	(4,013)
Total other income (expense)	22,902	(8,936)	67,031	91,993
Income (loss) before income taxes	6,246	(6,988)	32,044	80,983
Income tax expense	57	24	84	65
Net income (loss)	$ 6,189	$ (7,012)	$ 31,960	$ 80,918
Other comprehensive income (loss):				
Foreign currency translation adjustments	(498)	2,630	(768)	2,300
Comprehensive income (loss)	$ 5,691	$ (4,382)	$ 31,192	$ 83,218
Net income (loss) per common share:				
Basic	$ 0.00	$ (0.01)	$ 0.02	$ 0.06
Diluted	0.01	(0.01)	0.03	0.06
Weighted-average shares outstanding:				
Basic	1,450,380	1,263,372	1,449,355	1,262,857
Diluted	1,640,442	1,263,372	1,640,537	1,442,693

See accompanying notes to unaudited interim condensed consolidated financial statements.

GLOBALSTAR, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value and share data)

(Unaudited)

	June 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,085	$ 15,212
Restricted cash	60,898	60,278
Accounts receivable, net of allowance of $3,979 and $3,382, respectively	22,419	19,327
Inventory	14,831	14,274
Prepaid expenses and other current assets	20,319	13,410
Total current assets	143,552	122,501
Property and equipment, net	843,952	882,695
Operating lease right of use assets, net	14,198	—
Intangible and other assets, net of accumulated amortization of $8,466 and $7,930, respectively	35,361	40,286
Total assets	$ 1,037,063	$ 1,045,482
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 98,829	$ 96,249
Accounts payable	7,083	6,995
Accrued expenses	29,688	23,085
Payables to affiliates	2,356	656
Derivative liabilities	288	757
Deferred revenue	32,713	31,938
Total current liabilities	170,957	159,680
Long-term debt, less current portion	392,706	367,202
Operating lease liabilities	13,185	—
Employee benefit obligations	4,580	4,489
Derivative liabilities	54,453	146,108
Deferred revenue	5,395	5,692
Other non-current liabilities	2,901	3,366
Total non-current liabilities	473,220	526,857
Contingencies (Note 8)		
Stockholders' equity:		
Preferred Stock of $0.0001 par value; 100,000,000 shares authorized and none issued and outstanding at June 30, 2019 and December 31, 2018, respectively	—	—
Series A Preferred Convertible Stock of $0.0001 par value; one share authorized and none issued and outstanding at June 30, 2019 and December 31, 2018, respectively	—	—
Voting Common Stock of $0.0001 par value; 1,900,000,000 shares authorized and 1,451,737,853 shares issued and outstanding at June 30, 2019; 1,500,000,000 shares authorized and 1,446,783,645 shares issued and outstanding at December 31, 2018	145	145
Nonvoting Common Stock of $0.0001 par value; no shares authorized and none issued and outstanding at June 30, 2019; 400,000,000 shares authorized and none issued and outstanding at December 31, 2018	—	—
Additional paid-in capital	1,940,113	1,937,364
Accumulated other comprehensive loss	(4,607)	(3,839)
Retained deficit	(1,542,765)	(1,574,725)
Total stockholders' equity	392,886	358,945
Total liabilities and stockholders' equity	$ 1,037,063	$ 1,045,482

See accompanying notes to unaudited interim condensed consolidated financial statements.

GLOBALSTAR, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
Balances – January 1, 2019	1,446,784	$ 145	$ 1,937,364	$ (3,839)	$ (1,574,725)	$ 358,945
Net issuance of restricted stock awards, stock for employee stock option exercises and recognition of stock-based compensation	3,285	—	1,000	—	—	1,000
Contribution of services	—	—	47	—	—	47
Recognition of stock-based compensation of employee stock purchase plan	—	—	77	—	—	77
Stock offering issuance costs	—	—	(195)			(195)
Other comprehensive loss	—	—	—	(270)	—	(270)
Net income	—	—	—	—	25,771	25,771
Balances – March 31, 2019	1,450,069	$ 145	$ 1,938,293	$ (4,109)	$ (1,548,954)	$ 385,375
Net issuance of restricted stock awards, stock for employee stock option exercises and recognition of stock-based compensation	232	—	968	—	—	968
Contribution of services	—	—	197	—	—	197
Net issuance of stock through employee stock purchase plan and recognition of stock-based compensation	1,437	—	500	—	—	500
Investment in business	—	—	155	—	—	155
Other comprehensive loss	—	—	—	(498)	—	(498)
Net income	—	—	—	—	6,189	6,189
Balances – June 30, 2019	1,451,738	$ 145	$ 1,940,113	$ (4,607)	$ (1,542,765)	$ 392,886

	Common Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Deficit	Total
Balances – January 1, 2018	1,261,949	$ 126	$ 1,869,339	$ (6,939)	$ (1,571,302)	$ 291,224
Net issuance of restricted stock awards and recognition of stock-based compensation	1,165	—	1,853	—	—	1,853
Recognition of stock-based compensation of employee stock purchase plan	—	—	84	—	—	84
Contribution of services	—	—	137	—	—	137
Other comprehensive loss	—	—	—	(330)	—	(330)
Impact of adoption of ASC 606	—	—	—	—	3,093	3,093
Net income	—	—	—	—	87,930	87,930
Balances – March 31, 2018	1,263,114	$ 126	$ 1,871,413	$ (7,269)	$ (1,480,279)	$ 383,991
Net issuance of restricted stock awards and recognition of stock-based compensation	275	—	1,052	—	—	1,052
Net issuance of stock through employee stock purchase plan and recognition of stock-based compensation	716	—	545	—	—	545
Contribution of services	—	—	137	—	—	137
Other comprehensive income	—	—	—	2,630	—	2,630
Net loss	—	—	—	—	(7,012)	(7,012)
Balances – June 30, 2018	1,264,105	$ 126	$ 1,873,147	$ (4,639)	$ (1,487,291)	$ 381,343

See accompanying notes to unaudited interim condensed consolidated financial statements.

GLOBALSTAR, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Months Ended	
	June 30, 2019	June 30, 2018
Cash flows provided by (used in) operating activities:		
Net income	$ 31,960	$ 80,918
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation, amortization and accretion	47,653	41,847
Change in fair value of derivative assets and liabilities	(92,124)	(106,885)
Stock-based compensation expense	2,756	2,776
Amortization of deferred financing costs	4,480	3,852
Provision for bad debts	1,170	771
Noncash interest and accretion expense	9,135	5,866
Revision to contract termination charge	—	(20,478)
Unrealized foreign currency (gain) loss	(975)	3,879
Other, net	230	195
Changes in operating assets and liabilities:		
Accounts receivable	(4,328)	(3,652)
Inventory	(1,755)	(624)
Prepaid expenses and other current assets	(2,486)	(2,368)
Other assets	(361)	(3,765)
Accounts payable and accrued expenses	4,277	4,288
Payables to affiliates	1,700	61
Other non-current liabilities	216	(855)
Deferred revenue	262	1,979
Net cash provided by operating activities	1,810	7,805
Cash flows provided by (used in) investing activities:		
Second-generation network costs (including interest)	(1,244)	(4,277)
Property and equipment additions	(2,366)	(3,221)
Investment in business	155	—
Purchase of intangible assets	(1,642)	(1,401)
Net cash used in investing activities	(5,097)	(8,899)
Cash flows provided by (used in) financing activities:		
Principal payments of the Facility Agreement	(47,435)	(38,933)
Payments for financing costs	(1,230)	—
Proceeds from Subordinated Loan Agreement	62,000	—
Proceeds from issuance of common stock and exercise of options and warrants	402	319
Net cash provided by (used in) financing activities	13,737	(38,614)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	43	(73)
Net increase (decrease) in cash, cash equivalents and restricted cash	10,493	(39,781)
Cash, cash equivalents and restricted cash, beginning of period	75,490	105,279
Cash, cash equivalents and restricted cash, end of period	$ 85,983	$ 65,498

	As of:	
	June 30, 2019	December 31, 2018
Reconciliation of cash, cash equivalents and restricted cash		
Cash and cash equivalents	$ 25,085	$ 15,212
Restricted cash (See Note 5 for further discussion on restrictions)	60,898	60,278
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 85,983	$ 75,490

	Six Months Ended	
	June 30, 2019	June 30, 2018
Supplemental disclosure of cash flow information:		

Cash paid for interest	$	12,882	$	12,070
Supplemental disclosure of non-cash financing and investing activities:				
Increase in capitalized accrued interest for second-generation network costs	$	208	$	1,954
Capitalized accretion of debt discount and amortization of prepaid financing costs		165		1,854

See accompanying notes to unaudited interim condensed consolidated financial statements.

1. BASIS OF PRESENTATION

Globalstar, Inc. (“Globalstar” or the “Company”) provides Mobile Satellite Services (“MSS”) including voice and data communications services through its global satellite network. Thermo Companies, through commonly controlled affiliates, (collectively, “Thermo”), is the principal owner and largest stockholder of Globalstar. The Company’s Executive Chairman of the Board controls Thermo. Two other members of the Company's Board of Directors are also directors, officers or minority equity owners of various Thermo entities.

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information. Certain information and footnote disclosures normally in financial statements have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”); however, management believes the disclosures made are adequate to make the information presented not misleading. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto included in the Globalstar Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on February 28, 2019 (the “2018 Annual Report”), and Management's Discussion and Analysis of Financial Condition and Results of Operations herein.

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. The Company evaluates estimates on an ongoing basis. Significant estimates include the value of derivative instruments, the allowance for doubtful accounts, the net realizable value of inventory, the useful life and value of property and equipment, the value of stock-based compensation and income taxes. The Company has made certain reclassifications to prior period condensed consolidated financial statements to conform to current period presentation.

These unaudited interim condensed consolidated financial statements include the accounts of Globalstar and all its subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, the information included herein includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company’s condensed consolidated statements of operations, condensed consolidated balance sheets, condensed consolidated statements of stockholders' equity and condensed consolidated statements of cash flows for the periods presented. The results of operations for the three and six months ended June 30, 2019 are not necessarily indicative of the results that may be expected for the full year or any future period.

Recently Issued Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) No. 2016-13, *Credit Losses, Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13, as amended, significantly changes how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The standard will replace today’s incurred loss approach with an expected loss model for instruments measured at amortized cost. Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. This ASU is effective for public entities for annual and interim periods beginning after December 15, 2019. Early adoption is permitted for all entities for annual periods beginning after December 15, 2018, and interim periods therein. The Company has not yet determined the impact this standard will have on its financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. As part of the FASB's disclosure framework project, it has eliminated, amended and added disclosure requirements for fair value measurements. Entities will no longer be required to disclose the amount of, and reasons for, transfers between Level 1 and Level 2 of the fair value hierarchy, the policy of timing of transfers between levels of the fair value hierarchy and the valuation processes for Level 3 fair value measurements. Public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. This ASU is effective for public entities for annual and interim periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of any interim or annual reporting period. This ASU will have an impact on the Company's disclosures.

In August 2018, the FASB issued ASU No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans*. As part of the FASB's disclosure framework project, it has changed the disclosure requirements for defined pension and other post-retirement benefit plans. The FASB eliminated disclosure requirements related to the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit cost over the next fiscal year, the amount and timing of plan assets expected to be returned to the employer, if any, information related to Japanese Welfare Pension Insurance Law, information about the amount of future annual benefits covered by insurance contracts and significant transactions between the employer or related parties and the plan, and the disclosure of the effects of a one-percentage-point change in the assumed health care cost trend rates on the (1) aggregate of the service and interest cost components of net periodic benefit costs and the (2) benefit obligation for postretirement health care benefits. Entities will be required to disclose the weighted-average interest crediting rate for cash balance plans and other plans with promised interest crediting rates as well as an explanation of the reasons for significant gains and losses related to changes in the benefit obligation for the period. This ASU is effective for public entities for annual periods beginning after December 15, 2020. Early adoption is permitted as of the beginning of any annual reporting period. This ASU will have an impact on the Company's disclosures.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU requires companies to defer specified implementation costs in a cloud computing arrangement that are often expensed under current US GAAP and recognize these costs to expense over the noncancellable term of the arrangement. This ASU is effective for public entities for annual and interim periods beginning after December 15, 2019. Early adoption is permitted as of the beginning of any interim or annual reporting period. The Company does not expect it to have a material effect on the Company's financial statements and related disclosures.

Recently Issued Financial Reporting Rules

In April 2019, the SEC adopted the final rules under SEC Releases 33-10618 and 34-85381, *FAST Act Modernization and Simplification of Regulation S-K.* Among other things, the amendments 1) allow registrants who present financial statements covering three years in their periodic reports to omit discussion of the earliest year from management's discussion and analysis if the discussion was included in a prior filing, 2) allow registrants to omit certain information and exhibits from their periodic reports without submitting confidential treatment requests to the Commission, 3) clarify and streamline certain risk factor and property disclosure requirements, 4) require all filings to include hyperlinks to information that is incorporated by reference in current filings to the information available on EDGAR, as applicable, and 5) require registrants to apply XBRL tags to certain information on cover pages of SEC filings. Certain of the amended rules became effective April 2, 2019 or May 2, 2019 and have been applied to any filings after these dates, except for the XBRL tagging requirement, which is effective for large accelerated and accelerated filers for fiscal reports ending on or after June 15, 2019 and 2020, respectively. The Company does not expect these final rules to have a material impact on its disclosures and financial statements.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. ASU 2016-02 became effective for annual reporting periods beginning after December 15, 2018. ASU 2016-02 amended the FASB Accounting Standards Codification ("ASC") and created a new ASC Topic 842, "Leases" ("ASC 842"). The Company adopted this standard on January 1, 2019. See Note 3: Leases for further discussion, including the impact on the Company's condensed consolidated financial statements and required disclosures.

In February 2018, the FASB issued ASU No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This guidance allows companies to reclassify items in accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the H.R.1, "An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018" (the "Tax Act") (previously known as "The Tax Cuts and Jobs Act"). This ASU is effective for all entities for annual and interim periods beginning after December 15, 2018. The Company adopted this standard on January 1, 2019. The adoption of this standard did not have a material effect on the Company's financial statements or related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting*. ASU 2018-07 aligns the accounting for share-based payment awards issued to employees and nonemployees. Measurement of equity-classified nonemployee awards will now be valued on the grant date and will no longer be remeasured through the performance completion date. This amendment also changes the accounting for nonemployee awards with performance conditions to recognize compensation cost when achievement of the performance condition is probable, rather than upon achievement of the performance condition, as well as eliminating the requirement to reassess the equity or liability classification for nonemployee awards upon vesting, except for certain award types. This ASU is effective for public entities for annual and interim periods beginning after December 15, 2018. The Company adopted this standard on January 1, 2019. The adoption of this standard did not have a material effect on the Company's financial statements or related disclosures.

2. REVENUE

Disaggregation of Revenue

The following table discloses revenue disaggregated by type of product and service (amounts in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Service revenue:				
Duplex	$ 9,031	$ 10,134	$ 17,676	$ 18,917
SPOT	12,619	13,868	25,714	26,830
Commercial IoT	4,353	3,216	8,051	6,305
IGO	179	216	345	425
Other	518	561	1,033	1,528
Total service revenue	26,700	27,995	52,819	54,005
Subscriber equipment sales:				
Duplex	$ 306	$ 751	$ 557	$ 1,182
SPOT	2,186	2,011	3,777	3,485
Commercial IoT	1,972	2,878	4,044	3,711
Other	27	91	72	92
Total subscriber equipment sales	4,491	5,731	8,450	8,470
Total revenue	$ 31,191	$ 33,726	$ 61,269	$ 62,475

The Company attributes equipment revenue to various countries based on the location where equipment is sold. Service revenue is generally attributed to the various countries based on the Globalstar entity that holds the customer contract. The following table discloses revenue disaggregated by geographical market (amounts in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Service revenue:				
United States	$ 19,452	$ 20,106	$ 38,704	$ 38,485
Canada	4,331	4,794	8,142	9,280
Europe	2,212	2,404	4,334	4,650
Central and South America	570	612	1,134	1,181
Others	135	79	505	409
Total service revenue	26,700	27,995	52,819	54,005
Subscriber equipment sales:				
United States	$ 2,549	$ 4,408	$ 4,760	$ 6,003
Canada	1,133	620	1,946	971
Europe	440	341	1,017	729
Central and South America	349	338	661	726
Others	20	24	66	41
Total subscriber equipment sales	4,491	5,731	8,450	8,470
Total revenue	$ 31,191	$ 33,726	$ 61,269	$ 62,475

Contract Balances

The following table discloses information about accounts receivable, costs to obtain a contract (as recorded in intangible and other assets, net on the Company's condensed consolidated balance sheet), and contract liabilities (as recorded in both current and long-term deferred revenue on the Company's condensed consolidated balance sheet) from contracts with customers (amounts in thousands):

	June 30, 2019	December 31, 2018
Accounts receivable	$ 22,419	$ 19,327
Capitalized costs to obtain a contract	1,916	2,018
Contract liabilities	38,108	37,630

Accounts Receivable

Included in the accounts receivable balance in the table above are contract assets, which represent primarily unbilled amounts related to performance obligations satisfied by the Company of $1.3 million and $0.7 million as of June 30, 2019 and December 31, 2018, respectively.

The Company has agreements with certain of its independent gateway operators ("IGOs") whereby the parties net settle outstanding payables and receivables between the respective entities on a periodic basis. As of June 30, 2019 and December 31, 2018, $8.2 million and $7.8 million, respectively, related to these agreements was included in accounts receivable on the Company's condensed consolidated balance sheet.

Impairment losses on receivables include both provisions for bad debt and the reversal of revenue for accounts where collectability is not reasonably assured. During the three months ended June 30, 2019 and 2018, impairment loss on receivables from contracts with customers was $0.9 million and $0.8 million, respectively. During the six months ended June 30, 2019 and 2018, impairment loss on receivables from contracts with customers was $2.7 million and $1.8 million, respectively. The increase in the impairment loss on receivables during the six months ended June 30, 2019 compared to the same period in 2018 was driven primarily by a specific reserve related to one of the Company's IGOs, which the Company recorded in the quarter ended March 31, 2019.

Costs to Obtain a Contract

The Company also capitalizes costs to obtain a contract, which include certain deferred subscriber acquisition costs that are amortized consistently with the pattern of transfer of the good or delivery of the service to which the asset relates. The Company's subscriber acquisition costs primarily include dealer and internal sales commissions and certain other costs, including but not limited to, promotional costs, cooperative marketing credits and shipping and fulfillment costs. The Company capitalizes incremental costs to obtain a contract to the extent it expects to recover them. These capitalized contract costs include only internal and external initial activation commissions because these costs are considered incremental and would not have been incurred if the contract had not been obtained. These capitalized costs are included in other assets on the Company's condensed consolidated balance sheet and are amortized to marketing, general and administrative expenses on the Company's condensed consolidated statement of operations on a straight-line basis over the estimated customer life of three years, which considers anticipated contract renewals. For the three months ended June 30, 2019 and 2018, the amount of amortization related to capitalized costs to obtain a contract was $0.3 million and $0.4 million, respectively. For the six months ended June 30, 2019 and 2018, the amount of amortization related to capitalized costs to obtain a contract was $0.7 million and $0.8 million, respectively.

Contract Liabilities

Contract liabilities, which are included in deferred revenue on the Company's condensed consolidated balance sheet, represent the Company's obligation to transfer service or equipment to a customer for which it has previously received consideration from a customer. As of June 30, 2019, the total transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations was $38.1 million. The amount of revenue recognized during the six months ended June 30, 2019 from performance obligations included in the contract liability balance at the beginning of the 2019 period was $21.4 million. The amount of revenue recognized during the six months ended June 30, 2018 from performance obligations included in the contract liability balance at the beginning of the 2018 period was $22.6 million.

In general, the duration of the Company's contracts is one year or less; however, from time to time, the Company offers multi-year contracts. As of June 30, 2019, the Company expects to recognize $32.7 million, or approximately 86%, of its remaining performance obligations during the next twelve months and $2.5 million, or approximately 6%, between two to seven years from the balance sheet date. The remaining $2.9 million, or approximately 8%, is related to a single contract and will be recognized as work is performed by the Company, the timing of which is currently unknown.

3. LEASES

Adoption of ASC Topic 842 “Leases”

On January 1, 2019, the Company adopted ASC 842 using the modified retrospective method. The Company has presented financial results and applied its accounting policies for the period beginning January 1, 2019 under ASC 842, while prior period results and accounting policies have not been adjusted and are reflected under legacy GAAP pursuant to ASC 840.

In connection with the adoption of ASC 842, the Company performed an analysis of contracts under ASC 840 to ensure proper assessment of leases (or embedded leases) in existence as of January 1, 2019. The Company elected the package of practical expedients permitted under ASC 842, which allows the Company not to reassess 1) whether any expired or existing contracts as of the adoption date are or contain a lease, 2) lease classification for any expired or existing leases as of the adoption date and 3) initial direct costs for any existing leases as of the adoption date.

The most significant impact of applying ASC 842 was the recognition of right-of-use assets and lease liabilities for operating leases in its condensed consolidated balance sheet. For finance leases, the accounting remained generally consistent with legacy GAAP; however, the existing capital lease and obligation for these leases have been reclassified to a right-of-use asset and lease liability. On January 1, 2019, the Company recognized an initial operating right-of-use asset of $3.3 million and associated operating lease liabilities of $3.7 million. Since adoption of ASC 842 on January 1, 2019, the Company entered into additional leases, most significantly a lease agreement for its new headquarters location (see further discussion in Note 9: Related Party Transactions), resulting in the recognition of additional right-of-use assets and associated lease liabilities of $11.7 million. There was no impact to opening retained deficit as of January 1, 2019.

Leases

The Company has operating and finance leases for facilities and equipment throughout the United States and around the world, including corporate offices, satellite control centers, ground control centers, gateways and certain equipment.

Upon inception of a contract, the Company evaluates if the contract, or part of the contract, contains a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases include both a right-of-use asset and a lease liability. The right-of-use asset represents the Company’s right to use the underlying asset in the lease. Certain initial direct costs associated with consummating a lease are included in the initial measurement of the right-of-use asset. The right-of-use asset also includes prepaid lease payments and lease incentives. The lease liability represents the present value of the remaining lease payments discounted using the implicit rate in the lease on the lease commencement date. For leases in which the implicit rate is not readily determinable, an estimated incremental borrowing rate is used, which represents a rate of interest that the Company would pay to borrow on a collateralized basis over a similar term. The Company has elected to combine lease and nonlease components, if applicable. As of June 30, 2019, there are no leases not yet commenced that create significant rights and obligations.

For operating leases, the Company records lease expense on a straight-line basis over the lease term in either marketing, general and administrative expense or cost of services, depending on the nature of the underlying asset. For finance leases, the Company records the amortization of the right-of-use asset through depreciation, amortization and accretion expense and records the interest expense on the lease liability through interest expense, net, using the effective interest method.

Variable lease payments are payments made to a lessor due to changes in circumstances occurring after the commencement date. Variable lease payments dependent upon an index or rate are included in the measurement of the lease liability; all other variable lease payments are not included in the measurement of the lease liability and recognized when incurred. Variable lease payments excluded from the measurement of the lease liability are uncommon and, when incurred, are immaterial for the Company.

The Company’s leases have remaining lease terms of 1 year to 12 years. Lease terms include renewal or termination options that the Company is reasonably certain to exercise. For leases with a term of twelve months or less, the Company does not record a right-of-use asset and associated lease liability on its condensed consolidated balance sheet.

The Company reviews the carrying value of its right-of-use assets for impairment whenever events or changes in circumstances indicate that the recorded value may not be recoverable. Recoverability of assets is measured by comparing the carrying amounts of the assets to the estimated future undiscounted cash flows, excluding financing costs. If the Company determines that an impairment exists, any related impairment loss is estimated based on fair values.

The following tables disclose the components of the Company’s finance and operating leases (amounts in thousands):

		As of:
		June 30, 2019
Operating leases:		
Right-of-use asset, net	$	14,198
Short-term lease liability (as recorded in accrued expenses)		1,400
Long-term lease liability		13,185
Total operating lease liabilities	$	14,585
Finance leases:		
Right-of-use asset, net (as recorded in intangible and other current assets, net)	$	148
Short-term lease liability (as recorded in accrued expenses)		86
Long-term lease liability (as recorded in non-current liabilities)		48
Total finance lease liabilities	$	134

Impact on Financial Statements

The following table summarizes the impact of the adoption of ASC 842 on the Company’s condensed consolidated balance sheet. There was no impact on the Company’s condensed consolidated statement of operations as a result of this adoption. Amounts are in thousands.

Condensed Consolidated Balance Sheet
As of June 30, 2019

	Impact on change in accounting policy					
		As reported June 30, 2019		Impact of ASC 842		Legacy GAAP
Right-of-use asset, net	$	14,198	$	(14,198)	$	—
Intangible and other assets, net		148		(148)		—
Property and equipment, net		—		148		148
Accrued expenses		1,486		(1,292)		194
Lease liabilities		13,185		(13,185)		—
Other non-current liabilities		48		—		48

Lease Cost

The components of lease cost are reflected in the table below (amounts in thousands). As noted above, prior periods have not been adjusted under the modified retrospective method of adoption.

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost:		
Amortization of right-of-use assets	$ 408	$ 817
Interest on lease liabilities	312	442
Finance lease cost:		
Amortization of right-of-use assets	26	52
Interest on lease liabilities	3	6
Short-term lease cost	8	176
Total lease cost	$ 757	$ 1,493

Weighted-Average Remaining Lease Term and Discount Rate

The following table discloses the weighted-average remaining lease term and discount rate for finance and operating leases.

	As of: June 30, 2019
Weighted-average lease term	
Finance leases	1.8 years
Operating Leases	9.2 years
Weighted-average discount rate	
Finance leases	7.9%
Operating leases	8.4%

Supplemental Cash Flow Information

The below table discloses supplemental cash flow information for finance and operating leases (in thousands).

	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 1,215
Operating cash flows from finance leases	6
Financing cash flows from finance leases	45

Maturity Analysis

The following table reflects undiscounted cash flows on an annual basis for the Company’s lease liabilities as of June 30, 2019 (amounts in thousands):

	Operating Leases	Finance Leases
2019 (remaining)	$ 1,334	$ 52
2020	2,645	72
2021	2,062	11
2022	1,955	6
2023	1,998	3
2024	1,999	—
Thereafter	9,378	—
Total lease payments	$ 21,371	$ 144
Imputed interest	(6,786)	(10)
Discounted lease liability	$ 14,585	$ 134

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following (in thousands):

	June 30, 2019	December 31, 2018
Globalstar System:		
Space component		
First and second-generation satellites in service	$ 1,195,291	$ 1,195,291
Second-generation satellite, on-ground spare	32,443	32,481
Ground component	269,907	256,850
Construction in progress:		
Ground component	12,195	18,068
Next-generation software upgrades	2,789	2,250
Other	1,458	2,699
Total Globalstar System	1,514,083	1,507,639
Internally developed and purchased software	18,931	26,045
Equipment	10,088	10,097
Land and buildings	3,323	3,311
Leasehold improvements	1,572	1,478
Total property and equipment	1,547,997	1,548,570
Accumulated depreciation	(704,045)	(665,875)
Total property and equipment, net	$ 843,952	$ 882,695

Amounts in the above table consist primarily of costs incurred related to the construction of the Company’s second-generation constellation and ground upgrades. The remaining ground component of construction in progress represents costs (including capitalized interest) incurred for assets to upgrade the Company's ground infrastructure in certain regions around the world. These gateway assets will be deployed based on coverage optimization. In January 2019, the Company completed technology upgrades to allow customers to use Sat-Fi2® in certain areas of Latin America. Accordingly, it placed into service approximately $7.9 million of construction in progress (including capitalized interest) related to the deployment of two RANs to this region. The ground component of construction in progress also includes costs (including capitalized interest) associated with the Company's contract for the procurement and production of new gateway antennas.

Additionally, during the first quarter of 2019, a portion of internally developed and purchased software assets were retired, which drove the decrease in the table above.

Amounts included in the Company's second-generation satellite, on-ground spare balance as of June 30, 2019 and December 31, 2018, consist primarily of costs related to a spare second-generation satellite that has not been placed in orbit, but is capable of being included in a future launch. As of June 30, 2019, this satellite has not been placed into service; therefore, the Company has not started to record depreciation expense.

5. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt consists of the following (in thousands):

	June 30, 2019			December 31, 2018		
	Principal Amount	Unamortized Discount and Deferred Financing Costs	Carrying Value	Principal Amount	Unamortized Discount and Deferred Financing Costs	Carrying Value
Facility Agreement	$ 341,955	$ 19,852	$ 322,103	$ 389,390	$ 24,355	$ 365,035
Subordinated Loan Agreement	62,078	460	61,618	—	—	—
Loan Agreement with Thermo	127,108	20,688	106,420	119,702	22,665	97,037
8.00% Convertible Senior Notes Issued in 2013	1,394	—	1,394	1,379	—	1,379
Total Debt	532,535	41,000	491,535	510,471	47,020	463,451
Less: Current Portion	98,829	—	98,829	96,249	—	96,249
Long-Term Debt	$ 433,706	$ 41,000	$ 392,706	$ 414,222	$ 47,020	$ 367,202

The principal amounts shown above include payment of in-kind interest, as applicable. The carrying value is net of deferred financing costs and any discounts to the loan amounts at issuance, including accretion, as further described below. The current portion of long-term debt represents the scheduled principal repayments under the Facility Agreement due within one year of the balance sheet date and the total outstanding balance of the Company's 8.00% Convertible Senior Notes Issued in 2013 (the "2013 8.00% Notes") based on the put and call features in these notes. The Company believes that the principal payments due in December 2019 and June 2020 under the Facility Agreement will be in excess of its available sources of cash in order to also maintain compliance with the required balance in the debt service reserve account. The Company intends to raise funds in sufficient amounts to meet its obligations or, alternatively, seek an amendment to or refinancing of these debt obligations; however, the source of funds has not yet been finalized nor have the definitive terms of any such amendment or refinancing been determined.

Facility Agreement

In 2009, the Company entered into the Facility Agreement with a syndicate of bank lenders, including BNP Paribas, Société Générale, Natixis, Crédit Agricole Corporate and Investment Bank (formerly Calyon) and Crédit Industriel et Commercial, as arrangers, and BNP Paribas, as the security agent. The Facility Agreement was amended and restated in July 2013, August 2015 and June 2017.

The Facility Agreement is scheduled to mature in December 2022. As of June 30, 2019, the Facility Agreement was fully drawn. Semi-annual principal repayments began in December 2014. Indebtedness under the Facility Agreement bears interest at a floating rate of LIBOR plus a margin that increases by 0.5% each year to a maximum rate of LIBOR plus 5.75%. For the twelve-month period ended June 30, 2019, this rate was LIBOR plus 3.75%. This margin increased to 4.25% on July 1, 2019. Interest on the Facility Agreement is payable semi-annually in arrears on June 30 and December 31 of each calendar year. Ninety-five percent of the Company's obligations under the Facility Agreement are guaranteed by Bpifrance Assurance Export S.A.S. ("BPIFAE") (formerly COFACE), the French export credit agency. The Company's obligations under the Facility Agreement are guaranteed on a senior secured basis by all of its domestic subsidiaries and are secured by a first priority lien on substantially all of the assets of the Company and its domestic subsidiaries (other than their FCC licenses), including patents and trademarks, 100% of the equity of the Company's domestic subsidiaries and 65% of the equity of certain foreign subsidiaries.

The Facility Agreement contains customary events of default and requires that the Company satisfy various financial and non-financial covenants. The covenants in the Facility Agreement limit the Company's ability to, among other things, incur or guarantee additional indebtedness; make certain investments, acquisitions or capital expenditures above certain agreed levels; pay dividends or repurchase or redeem capital stock or subordinated indebtedness; grant liens on its assets; incur restrictions on the ability of its subsidiaries to pay dividends or to make other payments to the Company; enter into transactions with its affiliates; merge or consolidate with other entities or transfer all or substantially all of its assets; and transfer or sell assets. Additionally, the Company's credit card processor has required a reserve of $5.0 million to address any liability arising from potential charge-backs given the growth in both volume and amount of the Company's annual service subscriptions over the past several years, among other factors. The Company is in discussions with its senior lenders to evaluate if this reserve impacts the terms of the Facility Agreement.

In calculating compliance with the financial covenants of the Facility Agreement, the Company may include certain cash funds contributed to the Company from the issuance of the Company's common stock and/or subordinated indebtedness. These funds are referred to as “Equity Cure Contributions” and may be used to achieve compliance with financial covenants through December 2019. If the Company violates any covenants and is unable to obtain a sufficient Equity Cure Contribution or obtain a waiver, or is unable to make payments to satisfy its debt obligations under the Facility Agreement when due and is unable to obtain a waiver, it would be in default under the Facility Agreement and payment of the indebtedness could be accelerated. The acceleration of the Company's indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-acceleration provisions. The Company needed an Equity Cure Contribution to maintain compliance with financial covenants under the Facility Agreement for the measurement period ended June 30, 2019, which it obtained through the Subordinated Loan Agreement. The Company anticipates that it will also need an Equity Cure Contribution to maintain compliance with financial covenants for the measurement period ended December 31, 2019, subject to the provisions of the Facility Agreement. The source of funds for this Equity Cure Contribution has not yet been arranged. Additionally, the Company may not be in compliance with financial covenants for the measurement period June 30, 2020, and the Facility Agreement would not permit an Equity Cure Contribution at that time. As discussed above, the Company is actively working to refinance or amend the terms of the Facility Agreement, which could include an extension of the Company's ability to use Equity Cure Contributions; however, the terms of any such amendment or refinancing have not been determined. As of June 30, 2019, the Company was in compliance with respect to the covenants of the Facility Agreement, except for one matter. In early 2019, the agent to the lenders of the Facility Agreement notified the Company that they believe it had not complied with a certain administrative provision within the Facility Agreement. The Company believes that it remedied any noncompliance within the allowed cure period and therefore avoided an event of default.

The Facility Agreement also requires the Company to maintain a debt service reserve account, which is pledged to secure all of the Company's obligations under the Facility Agreement. The use of the debt service reserve account funds is restricted to making principal and interest payments under the Facility Agreement. The balance in the debt service reserve account must equal at least the total amount of principal and interest payable by the Company on the next payment date. As of June 30, 2019, the balance in the debt service reserve account was $58.8 million and the balance in an equity proceeds account, that is also required to be used for obligations under the Facility Agreement, was $2.1 million, both of which are classified as restricted cash on the Company's condensed consolidated balance sheet.

Subordinated Loan

On July 2, 2019, the Company entered into a Subordinated Loan Agreement (the “Subordinated Loan Agreement”), effective as of June 28, 2019, with Thermo Funding Company LLC (an affiliated entity to Thermo), and certain unaffiliated parties (together with Thermo, the “Lenders”). Under the Subordinated Loan Agreement, the Lenders lent $62.0 million to the Company on June 28, 2019 for the primary purpose of funding the June 30, 2019 scheduled payment of interest and principal under the Company’s Facility Agreement and for certain other purposes. The loans under the Subordinated Loan Agreement qualified as an Equity Cure Contribution under the Facility Agreement. Globalstar’s indebtedness to the Lenders is subordinated to all obligations of the Company under the Facility Agreement. Thermo has agreed to subordinate the Company’s obligations to it under the Loan Agreement to the Company’s obligations under the Subordinated Loan Agreement.

The Subordinated Loan Agreement accrues interest at 15% per annum, which is capitalized and added to the outstanding principal in lieu of cash payments. Payments to the Lenders will be made only when permitted under the Facility Agreement. The Subordinated Loan Agreement becomes due and payable on December 31, 2023, or upon any acceleration of the maturity of the Subordinated Loan Agreement. As of June 30, 2019, $0.1 million of interest had accrued with respect to the Subordinated Loan Agreement; the Subordinated Loan Agreement is included in long-term debt on the Company’s condensed consolidated balance sheet.

The Subordinated Loan Agreement also contains an affirmative covenant requiring the Company to use reasonable best efforts to either (i) refinance its obligations under the Facility Agreement and the Subordinated Loan Agreement in full or (ii) refinance its obligations under the Subordinated Loan Agreement and obtain a corresponding amendment of the Facility Agreement to permit such refinancing. In addition, in the event the Company’s obligations under the Subordinated Loan Agreement have not been refinanced within 120 days of the date of the Subordinated Loan Agreement, the Company is required to use its reasonable best efforts to issue and do all things to facilitate the issuance of registered warrants exercisable for shares of common stock in the Company to the Lenders in such amounts and on such terms and the Company and the Lenders shall agree.

The Company evaluated the affirmative covenant in the Subordinated Loan Agreement and determined that the warrants did not qualify as contingently issuable equity under ASC 815 as of June 30, 2019 because the definitive terms of such warrants were not agreed upon at the time the Subordinated Loan Agreement was executed.

The Company's Board of Directors considered the Subordinated Loan Agreement and the related transactions and unanimously concluded that they constitute a "Permitted Financing" under Article Eleventh of the Second Amended and Restated Certificate of Incorporation of the Company.

Thermo Loan Agreement

In connection with the amendment and restatement of the Facility Agreement in July 2013, the Company amended and restated its loan agreement with Thermo (the "Loan Agreement"). All obligations of the Company to Thermo under the Loan Agreement are subordinated to the Company's obligations under the Facility Agreement. The Loan Agreement is convertible into shares of common stock at a conversion price of $0.69 (as adjusted) per share of common stock. Based on the terms of the Settlement Agreement (as defined and discussed further in Note 8: Contingencies), the outstanding debt under the Loan Agreement with Thermo will convert into shares of Globalstar common stock at the conversion price in place at the time of certain financing events described in the Settlement Agreement, if and when such events occur.

The Loan Agreement accrues interest at 12% per annum, which is capitalized and added to the outstanding principal in lieu of cash payments. The Company will make payments to Thermo only when permitted by the Facility Agreement. Principal and interest under the Loan Agreement become due and payable six months after the obligations under the Facility Agreement have been paid in full, or earlier if the Company has a change in control or if any acceleration of the maturity of the loans under the Facility Agreement occurs. As of June 30, 2019, $83.6 million of interest had accrued since 2009 with respect to the Loan Agreement; the Loan Agreement is included in long-term debt on the Company's condensed consolidated balance sheets.

The Company evaluated the various embedded derivatives within the Loan Agreement (See Note 7: Fair Value Measurements for additional information about the embedded derivative in the Loan Agreement). The Company determined that the conversion option and the contingent put feature upon a fundamental change required bifurcation from the Loan Agreement. The conversion option and the contingent put feature were not deemed clearly and closely related to the Loan Agreement and were separately accounted for as a standalone derivative. The Company recorded this compound embedded derivative liability as a non-current liability on its condensed consolidated balance sheets with a corresponding debt discount, which is netted against the face value of the Loan Agreement.

The Company is accreting the debt discount associated with the compound embedded derivative liability to interest expense through the maturity of the Loan Agreement using an effective interest rate method. The fair value of the compound embedded derivative liability is marked-to-market at the end of each reporting period, with any changes in value reported in the condensed consolidated statements of operations. The Company determines the fair value of the compound embedded derivative using a Monte Carlo simulation model.

As previously disclosed, in connection with the Settlement Agreement discussed in Note 8: Contingencies, the Company formed a Strategic Review Committee that is required to remain in existence for as long as Thermo and its affiliates own and its affiliates beneficially own forty-five percent (45%) or more of Globalstar's outstanding common stock. To the extent permitted by applicable law, the Strategic Review Committee has exclusive responsibility for the oversight, review and approval of, among other things and subject to certain exceptions, any acquisition by Thermo and its affiliates of additional newly-issued securities of the Company and any transaction between the Company and Thermo and its affiliates with a value in excess of $250,000. The approval of any of the foregoing transactions will require the vote of at least a majority of the Strategic Review Committee.

8.00% Convertible Senior Notes Issued in 2013

The 2013 8.00% Notes are convertible into shares of common stock at a conversion price of $0.69 (as adjusted) per share of common stock. The conversion price of the 2013 8.00% Notes is adjusted in the event of certain stock splits or extraordinary share distributions, or as a reset of the base conversion and exercise price pursuant to the terms of the Fourth Supplemental Indenture between the Company and U.S. Bank National Association, as Trustee, dated May 20, 2013 (the "Indenture").

The 2013 8.00% Notes are senior unsecured debt obligations of the Company with no sinking fund. The 2013 8.00% Notes will mature on April 1, 2028, subject to various call and put features, and bear interest at a rate of 8.00% per annum. Subject to certain conditions set forth in the Indenture, the Company may redeem the 2013 8.00% Notes, with the prior approval of the majority lenders under the Facility Agreement, in whole or in part, at any time on or after April 1, 2018, at a price equal to the principal amount of the 2013 8.00% Notes to be redeemed plus all accrued and unpaid interest thereon. As of June 30, 2019, the 2013 8.00% Notes have not been redeemed by the Company. A holder of the 2013 8.00% Notes has the right, at the holder's option, to require the Company to purchase some or all of the 2013 8.00% Notes held by it on April 1, 2023 at a price equal to the principal amount of the 2013 8.00% Notes to be purchased plus accrued and unpaid interest.

Interest on the 2013 8.00% Notes is payable semi-annually in arrears on April 1 and October 1 of each year. Interest is paid in cash at a rate of 5.75% per annum and in additional notes at a rate of 2.25% per annum. The Indenture for the 2013 8.00% Notes provides for customary events of default. As of June 30, 2019, the Company was in compliance with the terms of the 2013 8.00% Notes and the Indenture.

Subject to the procedures for conversion and other terms and conditions of the Indenture, a holder may convert its 2013 8.00% Notes at its option at any time prior to the close of business on the business day immediately preceding April 1, 2028, into shares of common stock (or, at the option of the Company, cash in lieu of all or a portion thereof, provided that, under the Facility Agreement, the Company may pay cash only with the consent of the majority lenders) over a 40-consecutive trading day settlement period. As of June 30, 2019, holders had converted a total of $55.4 million principal amount of the 2013 8.00% Notes, resulting in the issuance of approximately 98.5 million shares of voting common stock.

The Company evaluated the various embedded derivatives within the Indenture for the 2013 8.00% Notes. The Company determined that the conversion option and the contingent put feature within the Indenture required bifurcation from the 2013 8.00% Notes. The Company recorded this compound embedded derivative liability as a liability on its condensed consolidated balance sheets with a corresponding debt discount which was netted against the face value of the 2013 8.00% Notes. See Note 6: Derivatives for further information.

6. DERIVATIVES

In connection with certain existing borrowing arrangements, the Company was required to record derivative instruments on its condensed consolidated balance sheets. None of these derivative instruments are designated as a hedge. The following table discloses the fair values of the derivative instruments on the Company's condensed consolidated balance sheets (in thousands):

	June 30, 2019	December 31, 2018
Derivative liabilities:		
Compound embedded derivative with the 2013 8.00% Notes	$ (288)	$ (757)
Compound embedded derivative with the Loan Agreement with Thermo	(54,453)	(146,108)
Total derivative liabilities	$ (54,741)	$ (146,865)

The following table discloses the changes in value recorded as derivative gain (loss) in the Company's condensed consolidated statement of operations (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Compound embedded derivative with the 2013 8.00% Notes	$ 255	$ (934)	469	387
Compound embedded derivative with the Loan Agreement with Thermo	34,861	(1,125)	91,655	106,498
Total derivative gain (loss)	$ 35,116	$ (2,059)	$ 92,124	$ 106,885

Intangible and Other Assets

Interest Rate Cap

In June 2009, in connection with entering into the Facility Agreement, under which interest accrues at a variable rate, the Company entered into five ten-year interest rate cap agreements, which mature in December 2019. The interest rate cap agreements reflect a variable notional amount at interest rates that provide coverage to the Company for exposure resulting from escalating interest rates over the term of the Facility Agreement. The interest rate cap provides limits on the six-month Libor rate ("Base Rate") used to calculate the coupon interest on outstanding amounts on the Facility Agreement and is capped at 5.50% should the Base Rate not exceed 6.5%. Should the Base Rate exceed 6.5%, the Company's Base Rate will be 1% less than the then six-month Libor rate. The Company paid an approximately $12.4 million upfront fee for the interest rate cap agreements. The interest rate cap did not qualify for hedge accounting treatment, and changes in the fair value of the agreements are included in the condensed consolidated statements of operations. The value of the interest rate cap was approximately zero as of June 30, 2019 and December 31, 2018, respectively.

Derivative Liabilities

The Company has identified various embedded derivatives resulting from certain features in the Company's debt instruments, including the conversion option and the contingent put feature within both the 2013 8.00% Notes and the Loan Agreement with Thermo. The fair value of each embedded derivative liability is marked-to-market at the end of each reporting period, or more frequently as deemed necessary, with any changes in value reported in its condensed consolidated statements of operations and its condensed consolidated statements of cash flows as an operating activity. The Company determined the fair value of its compound embedded derivative liabilities using a Monte Carlo simulation model. See Note 7: Fair Value Measurements for further discussion. Consistent with the classification of the 2013 8.00% Notes on the Company's condensed consolidated balance sheet, the Company has classified the associated derivative liability as current on its condensed consolidated balance sheet at June 30, 2019.

7. FAIR VALUE MEASUREMENTS

The Company follows the authoritative guidance for fair value measurements relating to financial and non-financial assets and liabilities, including presentation of required disclosures herein. This guidance establishes a fair value framework requiring the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets and liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2: Quoted prices in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

Recurring Fair Value Measurements

The following tables provide a summary of the liabilities measured at fair value on a recurring basis (in thousands):

	June 30, 2019			
	(Level 1)	(Level 2)	(Level 3)	Total Balance
Compound embedded derivative with the 2013 8.00% Notes	$ —	$ —	$ (288)	$ (288)
Compound embedded derivative with the Loan Agreement with Thermo	—	—	(54,453)	(54,453)
Total liabilities measured at fair value	$ —	$ —	$ (54,741)	$ (54,741)

	December 31, 2018			
	(Level 1)	(Level 2)	(Level 3)	Total Balance
Compound embedded derivative with the 2013 8.00% Notes	$ —	$ —	$ (757)	$ (757)
Compound embedded derivative with the Loan Agreement with Thermo	—	—	(146,108)	(146,108)
Total liabilities measured at fair value	$ —	$ —	$ (146,865)	$ (146,865)

Derivative Liabilities

The Company has two derivative liabilities classified as Level 3. The Company marks-to-market these liabilities at each reporting date, or more frequently as deemed necessary, with the changes in fair value recognized in the Company's condensed consolidated statements of operations. See Note 6: Derivatives for further discussion.

The significant quantitative Level 3 inputs utilized in the valuation models are shown in the tables below:

	June 30, 2019				
	Stock Price Volatility	Risk-Free Interest Rate	Note Conversion Price	Discount Rate	Market Price of Common Stock
Compound embedded derivative with the 2013 8.00% Notes	70% - 135%	1.7%	$ 0.69	10% - 27%	$ 0.48
Compound embedded derivative with the Loan Agreement with Thermo	70% - 135%	1.7%	$ 0.69	27%	$ 0.48

	December 31, 2018				
	Stock Price Volatility	Risk-Free Interest Rate	Note Conversion Price	Discount Rate	Market Price of Common Stock
Compound embedded derivative with the 2013 8.00% Notes	40% - 120%	2.5%	$ 0.69	28%	$ 0.64
Compound embedded derivative with the Loan Agreement with Thermo	40% - 120%	2.5%	$ 0.69	28%	$ 0.64

Fluctuation in the Company's stock price is one of the primary drivers for the changes in the derivative valuations during each reporting period. The Company's stock price decreased 25% from December 31, 2018 to June 30, 2019. As the stock price decreases, the value to the holder of the instrument generally decreases, thereby decreasing the liability on the Company's condensed consolidated balance sheets. Stock price volatility is another significant unobservable input used in the fair value measurement of each of the Company's derivative instruments. The simulated fair value of these liabilities is sensitive to changes in the expected volatility of the Company's stock price. Decreases in expected volatility would generally result in a lower fair value measurement.

Probability of a change of control is another significant unobservable input used in the fair value measurement of the Company's derivative instruments. Subject to certain restrictions in each indenture, the Company's debt instruments contain certain provisions whereby holders may require the Company to purchase all or any portion of the convertible debt instrument upon a change of control. A change of control will occur upon certain changes in the ownership of the Company or certain events relating to the trading of the Company's common stock. The simulated fair value of the derivative liabilities above is sensitive to changes in the assumed probabilities of a change of control. Increases in the assumed probability of a change of control in the short-term would generally result in a lower fair value measurement, while increases in the assumed probability of a change in control in the long-term would generally result in a higher fair value measurement.

As previously discussed, the Company is actively working on a refinancing of its debt obligations. A refinancing may result in the conversion of certain outstanding loan agreements. The potential conversion of both the Thermo Loan Agreement and the 2013 8.00% Notes was modeled based on a probability assessment of each financing scenario and, accordingly, was included in the valuation of the associated compound embedded derivatives as of June 30, 2019. These assumptions resulted in a reduction of the derivative valuations during the second quarter of 2019.

In addition to the inputs described above, the valuation model used to calculate the fair value measurement of the compound embedded derivatives within the Company’s 2013 8.00% Notes and Loan Agreement with Thermo included the following inputs and features: payment-in-kind interest payments, make-whole premiums, a 40-day stock issuance settlement period upon conversion, estimated maturity date, and the principal balance of each loan at the balance sheet date. There are also certain put and call features, as well as potential redemptions by the Company, within the 2013 8.00% Notes that impact the valuation model.

The following table presents a rollforward for all liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Balance at beginning of period	$ (89,857)	$ (119,041)	$ (146,865)	$ (227,985)
Unrealized gain (loss), included in derivative gain (loss)	35,116	(2,059)	92,124	106,885
Balance at end of period	$ (54,741)	$ (121,100)	$ (54,741)	$ (121,100)

Fair Value of Debt Instruments

The Company believes it is not practicable to determine the fair value of the Facility Agreement without incurring significant additional costs. Unlike typical long-term debt, interest rates and other terms for the Facility Agreement are not readily available and generally involve a variety of factors, including due diligence by the debt holders. The following table sets forth the carrying values and estimated fair values of the Company's other debt instruments, which are classified as Level 3 financial instruments (in thousands):

	June 30, 2019		December 31, 2018	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Loan Agreement with Thermo	$ 106,420	$ 78,769	$ 97,037	$ 67,452
2013 8.00% Notes	1,394	810	1,379	734

8. CONTINGENCIES

Securities Claim

On September 25, 2018, a shareholder action was filed against Globalstar, Inc. (the "Company" or "Globalstar"), members of the Board of Directors, Thermo Companies, Inc., and certain members of Globalstar management in the Court of Chancery of the State of Delaware (the "Court"), captioned *Mudrick Capital Management, LP, et al. v. Monroe, et al.*, C.A. No. 2018-0699-TMR (the "Action"). As previously disclosed, on December 14, 2018, all parties to the Action, including plaintiffs Mudrick Capital Management, L.P. (“Mudrick Capital”) and Warlander Asset Management (“Warlander”, and, together with Mudrick Capital, the “Plaintiffs”), entered into a stipulation and agreement of settlement, compromise and release of stockholder derivative action (the “Settlement Agreement”) to settle all claims asserted against all defendants in the Action.

The Settlement Agreement is subject to approval by the Court of Chancery of the State of Delaware, which held a hearing on April 1, 2019. The Company expects the Court to approve the Settlement Agreement and is currently awaiting its decision.

In connection with the Action described above, the Plaintiffs' claims for monetary relief from the Company are now limited to attorneys' fees and expenses incurred in connection with and related to pursuing the Action, as well as in connection with and related to a shareholder demand to inspect certain of the Company's books and records and a lawsuit seeking to enforce that demand. The Company evaluated the facts and circumstances under applicable accounting guidance and determined that a loss with respect to such Plaintiffs' attorneys' fees and costs is probable and reasonably estimable. In accordance with ASC 450, as of June 30, 2019, the Company estimated a range of loss and recorded a reserve based on the low end of the range, as there were no facts and circumstances to support a different point in the range. The Company accrued the total estimated loss of $3.0 million, which is recorded as a current liability on the Company's condensed consolidated balance sheet and in marketing, general and administrative expenses on the Company’s condensed consolidated statement of operations.

This estimated loss, as well as other costs incurred by the Company directly associated with the Action, exceeded the Company's retention limit of $1.5 million for a "securities claim" under its directors and officers insurance policy. According to ASC 450, a recovery related to a contingent loss (e.g., insurance recovery) is a contingent gain. Recovery of a recorded contingent loss shall be recognized only when realization of the recovery is deemed probable and reasonably estimable. The Company believes it is probable that any losses in excess of the Company's retention limit will be covered under the terms of its insurance policy. Accordingly, the Company has recorded a receivable of $3.5 million with an offsetting reduction to marketing, general and administrative expenses during the quarter ended June 30, 2019.

Business Economic Loss Claim

In May 2018, the Company concluded the settlement of a business economic loss claim in which it was an absent member in a tort class action lawsuit. The Company is due proceeds of $7.4 million, net of legal fees, related to this settlement. The Company received the first installment of $3.7 million in January 2019. The final installment of $3.7 million is expected to be received in January 2020 and is recorded in prepaid expenses and other current assets on the Company's condensed consolidated balance sheet at March 31, 2019. During the second quarter of 2018, the Company recorded the present value of the proceeds of $6.8 million and a discount of $0.6 million. The present value of the net proceeds of $6.8 million was recorded in other income on the Company's condensed consolidated statement of operations. The discount of $0.6 million was recorded on the Company's condensed consolidated balance sheet and is being accreted to interest income over the term of the receivable using the effective interest method.

Other Litigation

Due to the nature of the Company's business, the Company is involved, from time to time, in various litigation matters or subject to disputes or routine claims regarding its business activities. Legal costs related to these matters are expensed as incurred.

In management's opinion, there is no pending litigation, dispute or claim, other than those described in this report, which could be expected to have a material adverse effect on the Company's financial condition, results of operations or liquidity.

9. RELATED PARTY TRANSACTIONS

Payables to Thermo and other affiliates related to normal purchase transactions were $0.4 million and $0.7 million as of June 30, 2019 and December 31, 2018, respectively. Additionally, in connection with funding of the Subordinated Loan Agreement in June 2019, the Company received an incremental $2.0 million from Thermo that was in excess of their final allocation in the loan document due to an oversubscription of the loan. This overpayment was refunded to Thermo in August 2019 and was included in payable to affiliates on the Company's condensed consolidated balance sheet as of June 30, 2019.

Transactions with Thermo

Certain general and administrative expenses are incurred by Thermo on behalf of the Company. These expenses, which include non-cash expenses that the Company accounts for as a contribution to capital, related to services provided by certain executive officers of Thermo and expenses incurred by Thermo on behalf of the Company which are charged to the Company. The expenses charged are based on actual amounts (with no mark-up) incurred by Thermo or upon allocated employee time. The expenses charged to the Company were $0.1 million and $0.2 million during the three months ended June 30, 2019 and 2018, respectively, and $0.2 million and $0.4 million during the six months ended June 30, 2019 and 2018, respectively.

Additionally, in February 2019, the Company entered into a lease agreement with Thermo Covington, LLC for the Company's new headquarters office. Annual lease payments for the new location will be $1.4 million per year, increasing at a rate of 2.5% per year, for a lease term of ten years. During the three and six months ended June 30, 2019, the Company incurred lease expenses of $0.4 million and $0.7 million due to Thermo under this lease agreement.

As of June 30, 2019, the principal amount outstanding under the Loan Agreement with Thermo was $127.1 million, and the fair value of the compound embedded derivative liability associated with the Loan Agreement was $54.5 million. During the three months ended June 30, 2019 and 2018, interest accrued on the Loan Agreement was approximately $3.8 million and $3.3 million, respectively. During the six months ended June 30, 2019 and 2018, interest accrued on the Loan Agreement was approximately $7.4 million and $6.6 million, respectively.

On July 2, 2019, the Company entered into a Subordinated Loan Agreement, effective June 28, 2019, with Thermo and certain unaffiliated parties. Thermo's participation in the Subordinated Loan Agreement was $53.8 million. As of June 30, 2019, less than $0.1 million of interest had accrued with respect to Thermo's portion of the Subordinated Loan Agreement.

On April 24, 2018, Globalstar entered into the Merger Agreement with GBS Acquisitions, Inc., a Delaware corporation and wholly owned subsidiary of Globalstar (“Merger Sub”), Thermo Acquisitions, Inc., a Delaware corporation (“Thermo Acquisitions”), the stockholders of Thermo Acquisitions (collectively, the “Thermo Stockholders,” and each, individually, a “Thermo Stockholder”), and Thermo Development, Inc., in its capacity as the representative of the Thermo Stockholders as set forth therein (the “Stockholders’ Representative”). Thermo Acquisitions is controlled by James Monroe III, Executive Chairman of the Board of Directors of Globalstar and former Chief Executive Officer of Globalstar. Pursuant to the terms of the Merger Agreement, Merger Sub would merge with and into Thermo Acquisitions with Thermo Acquisitions continuing as the surviving corporation and a wholly owned subsidiary of Globalstar (the “Merger”). The transaction was unanimously recommended by the Special Committee of the Board of Directors of Globalstar, consisting entirely of disinterested independent directors, and unanimously approved by the full Board of Directors. On July 31, 2018, Globalstar, following the unanimous recommendation of its Special Committee of independent directors, and the Stockholders’ Representative, terminated the Merger Agreement by mutual written agreement by entering into a Termination of Agreement and Plan of Merger, between Globalstar and the Stockholders’ Representative. In addition, on July 31, 2018, the Voting Agreement between Globalstar and certain of its stockholders terminated in accordance with its terms as a result of the termination of the Merger Agreement. No termination fees are payable in connection with the termination of the Merger Agreement.

As previously disclosed, in connection with the Settlement Agreement discussed in Note 8: Contingencies, the Company formed a Strategic Review Committee that is required to remain in existence for as long as Thermo and its affiliates own and its affiliates beneficially own forty-five percent (45%) or more of Globalstar’s outstanding common stock. To the extent permitted by applicable law, the Strategic Review Committee will have exclusive responsibility for the oversight, review and approval of, among other things and subject to certain exceptions, any acquisition by Thermo and its affiliates of additional newly-issued securities of the Company and any transaction between the Company and Thermo and its affiliates with a value in excess of $250,000. The approval of any of the foregoing transactions will require the vote of at least a majority of the Strategic Review Committee.

See Note 5: Long-Term Debt and Other Financing Arrangements for further discussion of the Company's debt and financing transactions with Thermo.

10. EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is computed by dividing income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Common stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. Potentially dilutive securities include primarily outstanding stock-based awards, convertible notes and shares issuable pursuant to the Company's Employee Stock Purchase Plan. The share amounts for dilutive securities that are reflected in the table below are shown regardless of being in or out of the money.

The following table sets forth the calculation of basic and diluted earnings (loss) per share and reconciles basic weighted average shares to diluted weighted average shares of common stock outstanding for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income (loss)	$ 6,189	$ (7,012)	$ 31,960	$ 80,918
Effect of dilutive securities:				
2013 8.00% Notes	27	—	53	38
Loan Agreement with Thermo	4,622	—	9,120	5,855
Income to common stockholders plus assumed conversions	$ 10,838	$ (7,012)	$ 41,133	$ 86,811
Weighted average common shares outstanding:				
Basic shares outstanding	1,450,380	1,263,372	1,449,355	1,262,857
Incremental shares from assumed exercises, conversions and other issuance of:				
Stock options, restricted stock, restricted stock units and ESPP	3,828	—	4,948	5,335
2013 8.00% Notes	2,020	—	2,020	2,087
Loan Agreement with Thermo	184,214	—	184,214	172,414
Diluted shares outstanding	1,640,442	1,263,372	1,640,537	1,442,693
Net income (loss) per share:				
Basic	$ 0.00	$ (0.01)	$ 0.02	$ 0.06
Diluted	0.01	(0.01)	0.03	0.06

For the three months ended June 30, 2018, 150.2 million shares of potential common stock were excluded from diluted shares outstanding because the effects of assuming issuance of these potentially dilutive securities would be anti-dilutive.

11. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

In connection with the Company's issuance of the 2013 8.00% Notes, certain of the Company's 100% owned domestic subsidiaries (the "Guarantor Subsidiaries"), fully, unconditionally, jointly, and severally guaranteed the payment obligations under the 2013 8.00% Notes. The following financial information sets forth, on a consolidating basis, the balance sheets, statements of operations and statements of cash flows for Globalstar, Inc. (the "Parent Company"), for the Guarantor Subsidiaries and for the Parent Company's other subsidiaries (the "Non-Guarantor Subsidiaries").

The condensed consolidating financial information has been prepared pursuant to the rules and regulations for condensed financial information and does not include disclosures included in annual financial statements. The principal eliminating entries eliminate investments in subsidiaries, intercompany balances and intercompany revenues and expenses.

Globalstar, Inc.
Condensed Consolidating Statement of Operations
Three Months Ended June 30, 2019

(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenue:					
Service revenue	$ 23,055	$ 9,312	$ 15,984	$ (21,651)	$ 26,700
Subscriber equipment sales	399	3,752	1,575	(1,235)	4,491
Total revenue	23,454	13,064	17,559	(22,886)	31,191
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	7,001	1,378	2,196	(1,180)	9,395
Cost of subscriber equipment sales	268	3,326	1,219	(1,235)	3,578
Marketing, general and administrative	6,651	1,256	23,588	(20,473)	11,022
Depreciation, amortization and accretion	23,155	(14)	711	—	23,852
Total operating expenses	37,075	5,946	27,714	(22,888)	47,847
Income (loss) from operations	(13,621)	7,118	(10,155)	2	(16,656)
Other income (expense):					
Interest income and expense, net of amounts capitalized	(12,792)	(3)	(13)	—	(12,808)
Derivative gain	35,116	—	—	—	35,116
Gain on legal settlement	120	—	—	—	120
Equity in subsidiary earnings (loss)	(2,280)	(3,989)	—	6,269	—
Other	(354)	(60)	890	(2)	474
Total other income (expense)	19,810	(4,052)	877	6,267	22,902
Income (loss) before income taxes	6,189	3,066	(9,278)	6,269	6,246
Income tax expense	—	19	38	—	57
Net income (loss)	$ 6,189	$ 3,047	$ (9,316)	$ 6,269	$ 6,189
Comprehensive income (loss)	$ 6,189	$ 3,047	$ (9,812)	$ 6,267	$ 5,691

Globalstar, Inc.
Condensed Consolidating Statement of Operations
Three Months Ended June 30, 2018
(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenue:					
Service revenue	$ 23,270	$ 10,292	$ 16,406	$ (21,973)	$ 27,995
Subscriber equipment sales	204	5,348	1,375	(1,196)	5,731
Total revenue	23,474	15,640	17,781	(23,169)	33,726
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	6,745	1,498	2,294	(1,011)	9,526
Cost of subscriber equipment sales	165	4,281	919	(1,195)	4,170
Marketing, general and administrative	11,382	1,457	24,078	(20,973)	15,944
Revision to contract termination charge	(20,478)	—	—	—	(20,478)
Depreciation, amortization and accretion	21,349	68	1,199	—	22,616
Total operating expenses	19,163	7,304	28,490	(23,179)	31,778
Income (loss) from operations	4,311	8,336	(10,709)	10	1,948
Other income (expense):					
Interest income and expense, net of amounts capitalized	(10,335)	(2)	3	29	(10,305)
Derivative loss	(2,059)	—	—	—	(2,059)
Gain on legal settlement	6,779	—	—	—	6,779
Equity in subsidiary earnings (loss)	(5,800)	(6,241)	—	12,041	—
Other	92	293	(3,725)	(11)	(3,351)
Total other income (expense)	(11,323)	(5,950)	(3,722)	12,059	(8,936)
Income (loss) before income taxes	(7,012)	2,386	(14,431)	12,069	(6,988)
Income tax expense	—	10	14	—	24
Net income (loss)	$ (7,012)	$ 2,376	$ (14,445)	$ 12,069	$ (7,012)
Comprehensive income (loss)	$ (7,012)	$ 2,376	$ (11,793)	$ 12,047	$ (4,382)

Globalstar, Inc.
Condensed Consolidating Statement of Operations
Six Months Ended June 30, 2019
(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenue:					
Service revenue	$ 44,992	$ 18,894	$ 31,113	$ (42,180)	$ 52,819
Subscriber equipment sales	701	7,238	3,076	(2,565)	8,450
Total revenue	45,693	26,132	34,189	(44,745)	61,269
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	14,016	2,827	5,087	(2,682)	19,248
Cost of subscriber equipment sales	491	6,392	2,407	(2,563)	6,727
Cost of subscriber equipment sales - reduction in the value of inventory	—	—	—	—	—
Marketing, general and administrative	13,775	2,557	45,798	(39,502)	22,628
Depreciation, amortization and accretion	46,350	3	1,300	—	47,653
Total operating expenses	74,632	11,779	54,592	(44,747)	96,256
Income (loss) from operations	(28,939)	14,353	(20,403)	2	(34,987)
Other income (expense):					
Interest income and expense, net of amounts capitalized	(25,656)	(7)	(15)	—	(25,678)
Derivative gain	92,124	—	—	—	92,124
Gain on legal settlement	120	—	—	—	120
Equity in subsidiary earnings (loss)	(5,213)	(8,623)	—	13,836	—
Other	(476)	127	817	(3)	465
Total other income (expense)	60,899	(8,503)	802	13,833	67,031
Income (loss) before income taxes	31,960	5,850	(19,601)	13,835	32,044
Income tax expense	—	26	58	—	84
Net income (loss)	$ 31,960	$ 5,824	$ (19,659)	$ 13,835	$ 31,960
Comprehensive income (loss)	$ 31,960	$ 5,824	$ (20,419)	$ 13,827	$ 31,192

Globalstar, Inc.
Condensed Consolidating Statement of Operations
Six Months Ended June 30, 2018
(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Revenue:					
Service revenue	$ 43,804	$ 19,366	$ 32,014	$ (41,179)	$ 54,005
Subscriber equipment sales	251	7,397	2,571	(1,749)	8,470
Total revenue	44,055	26,763	34,585	(42,928)	62,475
Operating expenses:					
Cost of services (exclusive of depreciation, amortization, and accretion shown separately below)	13,002	2,888	5,162	(2,497)	18,555
Cost of subscriber equipment sales	206	6,091	1,794	(1,749)	6,342
Marketing, general and administrative	18,467	2,521	44,941	(38,710)	27,219
Revision to contract termination charge	(20,478)	—	—	—	(20,478)
Depreciation, amortization and accretion	40,393	164	1,290	—	41,847
Total operating expenses	51,590	11,664	53,187	(42,956)	73,485
Income (loss) from operations	(7,535)	15,099	(18,602)	28	(11,010)
Other income (expense):					
Interest income and expense, net of amounts capitalized	(17,721)	(4)	17	50	(17,658)
Derivative gain	106,885	—	—	—	106,885
Gain on legal settlement	6,779	—	—	—	6,779
Equity in subsidiary earnings (loss)	(7,120)	(9,628)	—	16,748	—
Other	(370)	117	(3,733)	(27)	(4,013)
Total other income (expense)	88,453	(9,515)	(3,716)	16,771	91,993
Income (loss) before income taxes	80,918	5,584	(22,318)	16,799	80,983
Income tax expense	—	16	49	—	65
Net income (loss)	$ 80,918	$ 5,568	$ (22,367)	$ 16,799	$ 80,918
Comprehensive (loss) income	$ 80,918	$ 5,568	$ (20,039)	$ 16,771	$ 83,218

Globalstar, Inc.
Condensed Consolidating Balance Sheet
As of June 30, 2019
(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 20,551	$ 814	$ 3,720	$ —	$ 25,085
Restricted cash	60,898	—	—	—	60,898
Accounts receivable, net of allowance	8,637	8,890	4,892	—	22,419
Intercompany receivables	1,069,458	842,249	79,453	(1,991,160)	—
Inventory	5,802	7,143	1,886	—	14,831
Prepaid expenses and other current assets	11,053	6,289	2,977	—	20,319
Total current assets	1,176,399	865,385	92,928	(1,991,160)	143,552
Property and equipment, net	812,875	929	30,144	4	843,952
Operating lease right of use assets, net	12,202	226	1,770	—	14,198
Intercompany notes receivable	5,674	—	—	(5,674)	—
Investment in subsidiaries	(258,372)	46,117	53,118	159,137	—
Intangible and other assets, net	30,522	255	4,596	(12)	35,361
Total assets	$ 1,779,300	$ 912,912	$ 182,556	$ (1,837,705)	$ 1,037,063
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 98,829	$ —	$ —	$ —	$ 98,829
Accounts payable	2,175	3,645	1,263	—	7,083
Accrued expenses	13,873	7,553	8,262	—	29,688
Intercompany payables	798,331	838,834	353,936	(1,991,101)	—
Payables to affiliates	2,356	—	—	—	2,356
Derivative liabilities	288	—	—	—	288
Deferred revenue	1,658	23,040	8,015	—	32,713
Total current liabilities	917,510	873,072	371,476	(1,991,101)	170,957
Long-term debt, less current portion	392,706	—	—	—	392,706
Operating lease liabilities	11,821	192	1,172	—	13,185
Employee benefit obligations	4,580	—	—	—	4,580
Intercompany notes payable	—	—	5,674	(5,674)	—
Derivative liabilities	54,453	—	—	—	54,453
Deferred revenue	5,196	180	19	—	5,395
Other non-current liabilities	148	322	2,431	—	2,901
Total non-current liabilities	468,904	694	9,296	(5,674)	473,220
Stockholders' equity (deficit)	392,886	39,146	(198,216)	159,070	392,886
Total liabilities and stockholders' equity	$ 1,779,300	$ 912,912	$ 182,556	$ (1,837,705)	$ 1,037,063

Globalstar, Inc.
Condensed Consolidating Balance Sheet
As of December 31, 2018
(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
ASSETS					
Current assets:					
Cash and cash equivalents	$ 11,312	$ 2,126	$ 1,774	$ —	$ 15,212
Restricted cash	60,278	—	—	—	60,278
Accounts receivable, net of allowance	7,138	7,826	4,363	—	19,327
Intercompany receivables	1,047,320	824,920	105,819	(1,978,059)	—
Inventory	6,747	6,149	1,378	—	14,274
Prepaid expenses and other current assets	7,765	2,987	2,658	—	13,410
Total current assets	1,140,560	844,008	115,992	(1,978,059)	122,501
Property and equipment, net	850,790	1,242	30,658	5	882,695
Intercompany notes receivable	5,600	—	6,436	(12,036)	—
Investment in subsidiaries	(255,187)	42,481	50,220	162,486	—
Intangible and other assets, net	36,275	324	3,698	(11)	40,286
Total assets	$ 1,778,038	$ 888,055	$ 207,004	$ (1,827,615)	$ 1,045,482
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current portion of long-term debt	$ 96,249	$ —	$ —	$ —	$ 96,249
Accounts payable	2,420	3,378	1,197	—	6,995
Accrued expenses	8,904	6,747	7,434	—	23,085
Intercompany payables	778,340	832,284	367,396	(1,978,020)	—
Payables to affiliates	656	—	—	—	656
Derivative liabilities	757	—	—	—	757
Deferred revenue	1,699	23,943	6,296	—	31,938
Total current liabilities	889,025	866,352	382,323	(1,978,020)	159,680
Long-term debt, less current portion	367,202	—	—	—	367,202
Employee benefit obligations	4,489	—	—	—	4,489
Intercompany notes payable	6,436	—	5,600	(12,036)	—
Derivative liabilities	146,108	—	—	—	146,108
Deferred revenue	5,339	335	18	—	5,692
Other non-current liabilities	494	323	2,549	—	3,366
Total non-current liabilities	530,068	658	8,167	(12,036)	526,857
Stockholders' equity (deficit)	358,945	21,045	(183,486)	162,441	358,945
Total liabilities and stockholders' equity	$ 1,778,038	$ 888,055	$ 207,004	$ (1,827,615)	$ 1,045,482

Globalstar, Inc.
Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2019
(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Cash flows provided by (used in) operating activities	$ 952	$ (1,148)	$ 2,006	$ —	$ 1,810
Cash flows provided by (used in) investing activities:					
Second-generation network costs (including interest)	(1,231)	—	(13)	—	(1,244)
Property and equipment additions	(2,155)	(164)	(47)	—	(2,366)
Investment in business	155	—	—	—	155
Purchase of intangible assets	(1,599)	—	(43)	—	(1,642)
Net cash used in investing activities	(4,830)	(164)	(103)	—	(5,097)
Cash flows provided by (used in) financing activities:					
Principal payments of the Facility Agreement	(47,435)	—	—	—	(47,435)
Payments for financing costs	(1,230)	—	—	—	(1,230)
Proceeds from Subordinated Loan Agreement	62,000	—	—	—	62,000
Proceeds from issuance of common stock and exercise of options and warrants	402	—	—	—	402
Net cash provided by financing activities	13,737	—	—	—	13,737
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	43	—	43
Net increase (decrease) in cash, cash equivalents and restricted cash	9,859	(1,312)	1,946	—	10,493
Cash, cash equivalents and restricted cash, beginning of period	71,590	2,126	1,774	—	75,490
Cash, cash equivalents and restricted cash, end of period	$ 81,449	$ 814	$ 3,720	$ —	$ 85,983

Globalstar, Inc.
Condensed Consolidating Statement of Cash Flows
Six Months Ended June 30, 2018
(Unaudited)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Cash flows provided by (used in) operating activities	$ 10,592	$ (2,545)	$ (242)	$ —	$ 7,805
Cash flows used in investing activities:					
Second-generation network costs (including interest)	(4,254)	—	(23)	—	(4,277)
Property and equipment additions	(2,207)	(841)	(173)	—	(3,221)
Purchase of intangible assets	(1,369)	—	(32)	—	(1,401)
Net cash used in investing activities	(7,830)	(841)	(228)	—	(8,899)
Cash flows provided by (used in) financing activities:					
Principal payments of the Facility Agreement	(38,933)	—	—	—	(38,933)
Proceeds from issuance of common stock and exercise of options and warrants	319	—	—	—	319
Net cash used in financing activities	(38,614)	—	—	—	(38,614)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(73)	—	(73)
Net decrease in cash, cash equivalents and restricted cash	(35,852)	(3,386)	(543)	—	(39,781)
Cash, cash equivalents and restricted cash, beginning of period	96,499	4,942	3,838	—	105,279
Cash, cash equivalents and restricted cash, end of period	$ 60,647	$ 1,556	$ 3,295	$ —	$ 65,498

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements.

Certain statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q (the "Report"), other than purely historical information, including, but not limited to, estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Forward-looking statements, such as the statements regarding our ability to develop and expand our business (including our ability to monetize our spectrum rights), our anticipated capital spending, our ability to manage costs, our ability to exploit and respond to technological innovation, the effects of laws and regulations (including tax laws and regulations) and legal and regulatory changes (including regulation related to the use of our spectrum), the opportunities for strategic business combinations and the effects of consolidation in our industry on us and our competitors, our anticipated future revenues, our anticipated financial resources, our expectations about the future operational performance of our satellites (including their projected operational lives), the expected strength of and growth prospects for our existing customers and the markets that we serve, commercial acceptance of new products, problems relating to the ground-based facilities operated by us or by independent gateway operators, worldwide economic, geopolitical and business conditions and risks associated with doing business on a global basis and other statements contained in this Report regarding matters that are not historical facts, involve predictions. Risks and uncertainties that could cause or contribute to such differences include, without limitation, those in Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, as filed with the Securities and Exchange Commission (the "SEC") on February 28, 2019 (the "2018 Annual Report"). We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this Report to reflect actual results or future events or circumstances.

New risk factors emerge from time to time, and it is not possible for us to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We undertake no obligation to update publicly or revise any forward-looking statements. You should not rely upon forward-looking statements as predictions of future events or performance. We cannot assure you that the events and circumstances reflected in the forward-looking statements will be achieved or occur. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

This "Management's Discussion and Analysis of Financial Condition" should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition" and information included in our 2018 Annual Report.

Overview

Mobile Satellite Services Business

Globalstar, Inc. ("we", "us" or the "Company") provides Mobile Satellite Services (“MSS”) including voice and data communications services globally via satellite. We offer these services over our network of in-orbit satellites and our active ground stations (“gateways”), which we refer to collectively as the Globalstar System. In addition to supporting one-way IoT data transmissions in a variety of applications, we are also able to provide reliable connectivity in areas not served or underserved by terrestrial wireless and wireline networks and in circumstances where terrestrial networks are not operational due to natural or man-made disasters. By providing wireless communications services across the globe, we are able to meet our customers' increasing desire for connectivity.

We currently provide the following communications services, which are available only with equipment designed to work on our network:

- two-way voice communication and data transmissions using mobile or fixed devices, including our GSP-1700 phone, our Globalstar 9600™ hotspot, two generations of our Sat-Fi®, and other fixed and data-only devices ("Duplex");
- one-way or two-way communication and data transmissions using mobile devices, including our SPOT family of products, such as SPOT X®, SPOT Gen3® and SPOT Trace®, that transmit messages and the location of the device ("SPOT"); and
- one-way data transmissions using a mobile or fixed device that transmits its location and other information to a central monitoring station, including our commercial IoT products, such as our battery- and solar-powered SmartOne, STX-3 and STINGR ("Commercial IoT").

Our constellation of Low Earth Orbit ("LEO") satellites includes second-generation satellites, which were launched and placed into service during the years 2010 through 2013 after a $1.1 billion investment, and certain first-generation satellites. We designed our second-generation satellites to last twice as long in space, have 40% greater capacity and be built at a significantly lower cost compared to our first-generation satellites. We achieved this longer life by increasing the solar array and battery capacity, using a larger fuel tank, adding redundancy for key satellite equipment, and improving radiation specifications and additional lot level testing for all susceptible electronic components, in order to account for the accumulated dosage of radiation encountered during a 15-year mission at the operational altitude of the satellites. The second-generation satellites use passive S-band antennas on the body of the spacecraft providing additional shielding for the active amplifiers which are located inside the spacecraft, unlike the first-generation amplifiers that were located on the outside as part of the active antenna array. Each satellite has a high degree of on-board subsystem redundancy, an on-board fault detection system and isolation and recovery for safe and quick risk mitigation.

Due to the specific design of the Globalstar System (and based on customer input), we believe that our voice quality is the best among our peer group. We define a successful level of service for our customers by their ability to make uninterrupted calls of average duration for a system-wide average number of minutes per month. Our goal is to provide service levels and call or message success rates equal to or better than our MSS competitors so our products and services are attractive to potential customers. We define voice quality as the ability to easily hear, recognize and understand callers with imperceptible delay in the transmission. By this measure, we believe that our system outperforms geostationary (“GEO”) satellites used by some of our competitors. Due to the difference in signal travel distance, GEO satellite signals must travel approximately 42,000 additional miles on average, which introduces considerable delay and signal degradation to GEO calls. For our competitors using cross-linked satellite architectures, which require multiple inter-satellite connections to complete a call, signal degradation and delay can result in compromised call quality as compared to that experienced over the Globalstar System.

We designed our second-generation ground network, when combined with our next-generation products, to provide our customers with enhanced services featuring speeds up to 72 kbps as well as increased capacity. The second-generation ground network is an Internet protocol multimedia subsystem ("IMS") based solution providing such industry standard services as voice, Internet, email and short message services ("SMS").

We compete aggressively on price. We offer a range of price-competitive products to the industrial, governmental and consumer markets. We expect to retain our position as a cost-effective, high quality leader in the MSS industry.

As technological advancements are made, we continue to explore opportunities to develop new products and provide new services over our network to meet the needs of our existing and prospective customers. We are currently pursuing initiatives that we expect to expand our satellite communications business by effectively leveraging our network capabilities and distribution relationships. Among our current initiatives are the following: the development of a two-way reference design and multi-chip module to expand our commercial IoT offerings while reducing the form factor and cost of our existing devices and improving their performance; an emergency messaging and tracking device for the automotive market; derivatives of our Sat-Fi2® device, one specifically designed for the maritime industry and another for fixed installation outside of cellular range; and a miniaturized satellite-based wearable tracking device.

As of June 30, 2019, we had approximately 780,000 subscribers worldwide, representing principally the following markets: recreation and personal; government; public safety and disaster relief; oil and gas; maritime and fishing; natural resources, mining and forestry; construction; utilities; and transportation. Our products and services are sold direct as well as through a robust network of independent agents, dealers and resellers, and independent gateway operators ("IGOs"). We also have distribution relationships with a number of "Big Box" and other distribution channels.

Licensed Spectrum Overview

We benefit from a world-wide allocation of radio frequency spectrum in the international radio frequency tables administered by the International Telecommunications Union ("ITU"). Access to this globally harmonized spectrum enables us to design satellites, networks and terrestrial infrastructure enhancements more cost effectively because the products and services can be deployed and sold worldwide. In addition, this broad spectrum assignment enhances our ability to capitalize on existing and emerging wireless and broadband applications.

In the United States, the Federal Communications Commission ("FCC") has authorized us to operate our first-generation satellites in 25.225 MHz of radio spectrum comprising two blocks of non-contiguous radio frequencies in the 1.6/2.4 GHz band commonly referred to as the "Big LEO" Spectrum Band. We licensed and registered our second-generation satellites in France. We also obtained all authorizations necessary from the FCC to operate our domestic gateways with our second-generation satellites.

Terrestrial Authority for Globalstar's Licensed 2.4GHz Spectrum

In December 2016, the FCC unanimously adopted a Report and Order permitting us to seek modification of our existing MSS licenses to provide terrestrial broadband services over 11.5 MHz of our licensed Mobile Satellite Services spectrum at 2483.5 to 2495 MHz, throughout the United States of America and its Territories, covering approximately 328 million people. In August 2017, the FCC modified Globalstar's MSS licenses, granting us authority to provide terrestrial broadband services over a portion of our satellite spectrum. Specifically, the FCC modified Globalstar's space station authorization and our blanket mobile earth station license to permit a network using 11.5 MHz of our authorized Big LEO mobile-satellite service spectrum. We will need to comply with certain conditions in order to provide terrestrial broadband service, including obtaining FCC certifications for our equipment that will utilize this spectrum authority.

We believe our MSS spectrum position provides potential for harmonized terrestrial authority across many international regulatory domains and have been seeking approvals in various international jurisdictions. To date, we have received terrestrial authorizations in certain countries. We expect this global effort to continue for the foreseeable future while we seek additional terrestrial approvals to internationally harmonize our S-band spectrum across the entire 16.5 MHz authority for terrestrial mobile broadband services.

We expect our terrestrial authority will allow future partners to develop high-density dedicated networks using the TD-LTE protocol for private LTE networks as well as for the densification of cellular networks. We believe that our offering has competitive advantages over other conventional commercial spectrum allocations. Such other allocations must meet minimum population coverage requirements, which effectively prohibit the exclusive use of most carrier spectrum for dedicated small cell deployments. In addition, low frequency carrier spectrum is not physically well suited to high-density small cell topologies, and mmWave spectrum is subject to range and attenuation limitations. We believe that our licensed 2.4 GHz band holds physical, regulatory, and ecosystem qualities that distinguish it from other current and anticipated allocations, and that it is well positioned to balance favorable range, capacity and attenuation characteristics.

In December 2018, we were successful in obtaining approval to create a new defined band class, Band 53, from the Third Generation Partnership Project (3GPP) for our 2.4 GHz terrestrial spectrum. This new band class provides a pathway for our terrestrial spectrum to be integrated into handset and infrastructure ecosystems. Additional follow-on 3GPP specifications and approvals are expected in the future.

Performance Indicators

Our management reviews and analyzes several key performance indicators in order to manage our business and assess the quality and potential variability of our earnings and cash flows. These key performance indicators include:

- total revenue, which is an indicator of our overall business growth;
- subscriber growth and churn rate, which are both indicators of the satisfaction of our customers;
- average monthly revenue per user, or ARPU, which is an indicator of our pricing and ability to obtain effectively long-term, high-value customers. We calculate ARPU separately for each type of our Duplex, SPOT, Commercial IoT and IGO revenue;
- operating income and adjusted EBITDA, both of which are indicators of our financial performance; and
- capital expenditures, which are an indicator of future revenue growth potential and cash requirements.

Comparison of the Results of Operations for the three and six months ended June 30, 2019 and 2018

<u>Revenue</u>

Total revenue decreased $2.5 million, or approximately 8%, to $31.2 million for the three months ended June 30, 2019 from $33.7 million for the same period in 2018 and decreased $1.2 million, or approximately 2%, to $61.3 million for the six months ended June 30, 2019 from $62.5 million for the same period in 2018. For the three-month period, the decrease was driven by lower service revenue of $1.3 million and lower revenue from subscriber equipment sales of $1.2 million. For the six-month period, the decrease was driven primarily by lower service revenue of $1.2 million. The decrease in service revenue for both periods was impacted by lower average Duplex and SPOT subscribers as well as lower SPOT ARPU. The decrease in revenue from equipment sales for the three-month period was due primarily to a lower volume of Commercial IoT sales as initial orders placed for our SmartOne Solar™, which launched in late March 2018, exceeded the follow-on orders filled during the second quarter of 2019.

The following table sets forth amounts and percentages of our revenue by type of service (dollars in thousands).

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018		Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Service revenue:								
Duplex	$ 9,031	29%	$ 10,134	30%	$ 17,676	29%	$ 18,917	30%
SPOT	12,619	40	13,868	41	25,714	42	26,830	43
Commercial IoT	4,353	14	3,216	10	8,051	13	6,305	10
IGO	179	1	216	1	345	1	425	1
Other	518	2	561	2	1,033	2	1,528	3
Total	$ 26,700	86%	$ 27,995	84%	$ 52,819	87%	$ 54,005	87%

The following table sets forth amounts and percentages of our revenue generated from equipment sales (dollars in thousands).

	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018		Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Subscriber equipment sales:								
Duplex	$ 306	1%	$ 751	2%	$ 557	— %	$ 1,182	2%
SPOT	2,186	7	2,011	6	3,777	6	3,485	5
Commercial IoT	1,972	6	2,878	8	4,044	7	3,711	6
Other	27	—	91	—	72	—	92	—
Total	$ 4,491	14%	$ 5,731	16%	$ 8,450	13 %	$ 8,470	13%

The following table sets forth our average number of subscribers and ARPU by type of revenue.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Average number of subscribers for the period:				
Duplex	58,654	67,456	59,595	68,505
SPOT	286,101	293,659	286,588	293,350
Commercial IoT	400,193	345,749	394,321	343,492
IGO	26,930	25,988	26,859	30,917
Other	929	1,112	942	1,172
Total	772,807	733,964	768,305	737,436
ARPU (monthly):				
Duplex	$ 51.32	$ 50.08	$ 49.43	$ 46.02
SPOT	14.70	15.74	14.95	15.24
Commercial IoT	3.63	3.10	3.40	3.06
IGO	2.22	2.77	2.14	2.29

The numbers reported in the above table are subject to immaterial rounding inherent in calculating averages.

We count "subscribers" based on the number of devices that are subject to agreements that entitle them to use our voice or data communications services rather than the number of persons or entities who own or lease those devices.

Other service revenue includes revenue generated primarily from sources which are not subscriber driven, such as engineering services. Accordingly, we do not present ARPU for other service revenue in the table above.

Service Revenue

Duplex service revenue decreased 11% and 7%, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018 due primarily to a decrease in average subscribers; this decrease was offset partially by an increase in ARPU. The decrease in average subscribers for both periods was due to lower gross activations resulting from fewer equipment sales over the last twelve months as well as normal churn in the subscriber base; this decline negatively impacted Duplex service revenue by $1.3 million and $2.5 million, respectively. We are actively working to address the inventory shortage issue that we have experienced over the last several months through the re-launch of an improved Sat-Fi2® device. ARPU increased 2% and 7%, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018, contributing $0.2 million and $1.2 million, respectively, to the total Duplex service revenue increase. The increase in ARPU was driven primarily by adjustments to certain of our rate plans to align our prices with our service levels.

SPOT service revenue decreased 9% and 4%, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018 due to decreases in both ARPU and average subscribers. ARPU decreased 7% and 2%, respectively, for the three and six-month periods ended June 30, 2019 compared to the same periods in 2018 resulting in lower SPOT service revenue of $0.9 million and $0.5 million, respectively. Lower ARPU was impacted by the timing and amount of certain transactions in the second quarter of 2018 that did not recur during the second quarter of 2019. During the second quarter of 2018, we recorded revenue of $0.4 million related to the collection of a customer account that was previously treated as uncollectible, and $0.2 million related to a specific event sponsorship, which occurred again during the first quarter of 2019. The average number of SPOT subscribers decreased 3% and 2%, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018 negatively impacting SPOT service revenue by $0.4 million and $0.6 million, respectively. The decrease in average subscribers was due primarily to lower activations of our legacy devices in recent months resulting in part from fewer promotions in our retailer channel during 2018. We are currently running retailer promotions with a focus of driving higher future subscriber activations.

Commercial IoT service revenue increased 35% and 28%, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018 due to increases in both ARPU and average subscribers. The increase in ARPU contributed $0.6 million and $0.8 million, respectively, and the increase in average subscribers contributed $0.5 million and $0.9 million, respectively, to higher service revenue during the three and six months ended June 30, 2019. The increase in ARPU was driven in part by higher usage and a more favorable blend of rate plans in place during 2019. The increase in average subscribers was driven by higher equipment sales during the last twelve months, due to the 2018 launch of SmartOne Solar™ as well as strong sales of legacy equipment.

Other service revenue remained flat for the three-month period ended June 30, 2019 and decreased $0.5 million for the six-month period ended June 30, 2019 compared to the same periods in 2018. Revenue generated from government contracts was nearly the same for the three-month period and decreased $0.4 million for the six-month period. The timing and amount of revenue we recognized related to government contracts during the first quarter of 2019 was negatively impacted by regulatory delays.

Subscriber Equipment Sales

Revenue from Duplex equipment sales decreased $0.4 million and $0.6 million, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018. For both periods, the decrease was due to a decline in the volume of Duplex products and related accessories due to low inventory levels. In April 2018, we released a second-generation Duplex device, Sat-Fi2®. Based on initial customer feedback, we slowly released this product into the market as we focused on optimizing functionality, performance and usability; therefore, sales of this device have been lower than expected, which contributed to the decrease in revenue from Duplex equipment sales for both periods. We have been actively working to improve Sat-Fi2® performance and expect the re-launch of this device during the second half of 2019.

Revenue from SPOT equipment sales increased $0.2 million and $0.3 million, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018. For both periods, the increase was driven primarily by sales of our new SPOT X® product, which was released in May 2018. Not only did we see an increase in the volume of SPOT X® devices sold in both periods, this product is also sold at a higher price than our other SPOT devices. Partially offsetting the revenue contribution from our latest SPOT product for both periods was a decline in the volume of certain legacy SPOT devices.

Revenue from Commercial IoT equipment sales decreased $0.9 million and increased $0.3 million, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018. For the three- and six-month periods ending June 30, 2019, revenue from SmartOne Solar™ contributed $1.0 million and $0.2 million, respectively, to the total decrease in Commercial IoT equipment sales. This decrease resulted from a higher volume of sales during 2018 as we experienced large demand from customers anticipating the launch of this new product. Offsetting this decline was revenue generated from legacy products, which increased revenue by $0.1 million and $0.5 million for the three and six-month periods.

Operating Expenses

Total operating expenses increased $16.1 million, or 51%, to $47.8 million for the three months ended June 30, 2019 compared to the same period in 2018. Total operating expenses increased $22.8 million, or 31%, to $96.3 million for the six months ended June 30, 2019 compared to the same period in 2018. The increase in total operating expenses for both periods was due primarily to a $20.5 million revision to a contract termination charge (see further discussion below). Also contributing to the fluctuation in total operating expenses for both periods were increases in depreciation, amortization and accretion expense offset by lower management, general and administrative costs.

Cost of Services

Cost of services decreased $0.1 million and increased $0.7 million, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018.

For the three-month period, the decline in total expense was driven by a decrease in maintenance costs for our ground stations and associated network of $0.5 million driven primarily by changes in the nature and terms of our contracts with certain vendors. Offsetting the decrease in maintenance costs was an increase in research and development costs and associated personnel costs, both increasing of $0.2 million, associated with our initiatives that focus on new commercial IoT product offerings.

For the six-month period, the increase in total expense was driven primarily by higher research and development costs of $0.3 million (due to the initiatives described in the preceding paragraph) and higher personnel and contractor costs of $1.0 million due to the timing and scope of capital projects. Lower maintenance costs of $0.7 million (for the same reasons described in the preceding paragraph) partially offset the total increase in expense. Other smaller items contributed to the remaining change in cost of services during the year.

Cost of Subscriber Equipment Sales

Cost of subscriber equipment sales decreased $0.6 million and increased $0.4 million, respectively, for the three and six months ended June 30, 2019 from the same periods in 2018. These fluctuations are generally consistent with the changes in revenue generated from subscriber equipment sales during the respective periods.

Marketing, General and Administrative

Marketing, general and administrative expenses decreased $4.9 million and $4.6 million, respectively, for the three and six months ended June 30, 2019 compared to the same periods in 2018.

For both the three- and six-month periods, a reduction in costs of $5.4 million and $6.8 million, respectively, for consultants and other advisers related to strategic opportunities contributed to the decrease in total expense. The first half of 2018 included costs to support the now-terminated merger and associated litigation (see Note 8: Contingencies for further discussion); these costs did not recur in 2019. The reduction in expense associated with these matters were $5.4 million and $6.5 million for the three and six-month periods, respectively.

Offsetting the reduction in expense discussed above were increases in occupancy and personnel costs for both the three and six-month periods ended June 30, 2019. For the three- and six-month periods, occupancy costs increased $0.3 million and $0.7 million, respectively, and personnel costs increased $0.2 million and $0.6 million, respectively. As previously disclosed, we moved into a new headquarters location in February 2019. As a result of this relocation, our annual rent expense, including associated taxes and other operating costs, has increased; the annualized impact of the higher rent expense is $1.2 million. Higher stock-based compensation was the main driver for the increase in personnel costs for both periods.

Additionally, higher bad debt expense of $0.4 million due primarily to an aged receivable from an IGO that was deemed to be uncollectible as well as other smaller items contributed to the remaining increases in expense for the six-month period ended June 30, 2019.

Revision to Contract Termination Charge

In May 2018, the statute of limitations for Thales to enforce the arbitration award pursuant to the Federal Arbitration Act expired. Accordingly, we believe that payment of the contract termination charge is not probable, and we removed this liability from our condensed consolidated balance sheet during the second quarter of 2018, resulting in a reduction in operating expenses of €17.5 million, or $20.5 million. See Note 9: Contingencies in our Consolidated Financial Statements in our Annual Report on Form 10-K for further discussion.

Depreciation, Amortization and Accretion

Depreciation, amortization and accretion expense increased $1.2 million and $5.8 million, respectively, for the three and six months ended June 30, 2019 from the same periods in 2018. This increase was due primarily to placing our next-generation ground infrastructure into service during 2018 (as discussed below) as well as placing other assets into service, including manufacturing and testing equipment, software and leasehold improvements. Since April 1, 2018, we have placed into service approximately $220.4 million of construction in progress (including capitalized interest) associated with our next-generation upgrades to our ground infrastructure. The costs placed into service represent primarily the gateways capable of supporting commercial traffic from Sat-Fi2®, the first device to work on our upgraded network. We expect depreciation expense for these assets to be approximately $3.7 million per quarter for an estimated life of fifteen years.

As of June 30, 2019, we had $12.2 million in construction in progress primarily related to the remaining costs (including capitalized interest) associated with our next-generation upgrades to our ground infrastructure in certain regions around the world. We will place these assets into service when they are deployed.

Other Income (Expense)

Interest Income and Expense

Interest income and expense, net, increased $2.5 million and $8.0 million, respectively, during the three and six months ended June 30, 2019, compared to the same periods in 2018.

For the three and six months ended June 30, 2019, the increase in interest expense, net, was driven by a reduction in capitalized interest of $1.8 million and $6.9 million, respectively, due primarily to a reduction in our construction in progress balance related to our ground network, which results in lower interest eligible to be capitalized. Additionally, gross interest costs increased $0.7 million and $1.4 million, respectively, for the three- and six-month periods, due primarily to an increase in interest expense on our Facility Agreement from a higher margin and LIBOR rate used to calculate the interest rate and a higher principal balance outstanding on our Loan Agreement with Thermo. For the six months ended June 30, 2019, the increase in interest expense was offset by an increase in interest income of $0.3 million, resulting primarily from a higher balance in our restricted cash account.

Derivative Gain (loss)

Derivative gain (loss) was a gain of $35.1 million for the three months ended June 30, 2019, compared to a loss of $2.1 million for the same period in 2018. Derivative gain (loss) was a gain of $92.1 million for the six months ended June 30, 2019, compared to a gain of $106.9 million for the same period in 2018.

We recognize gains or losses due to the change in the value of certain embedded features within our debt instruments that require standalone derivative accounting. Although fluctuation in our stock price is the most significant cause for the change in value of these derivative instruments, other inputs impact the value, including stock price volatility, discount rate, maturity date, probabilities of conversion and change of control, the base conversion rate and changes in the principal amount of notes outstanding. See Note 7: Fair Value Measurements to our condensed consolidated financial statements for further discussion of the computation of the fair value of our derivatives.

Gain on Legal Settlement

In May 2018, we concluded the settlement of a business economic loss claim in which we will receive proceeds of $7.4 million, net of legal fees. We received the first installment of $3.7 million in January 2019; the final installment is expected to be received in January 2020. During the second quarter of 2018, we recorded $6.8 million, the present value of such proceeds, as other income in our condensed consolidated statement of operations. During the second quarter of 2019, in connection with a follow-on settlement related to this matter, we received additional proceeds of $0.1 million and recorded the gross amount of these proceeds as other income in our condensed consolidated statement of operations. See Note 9: Contingencies to our Consolidated Financial Statements in our Annual Report on Form 10-K for further discussion.

Other

Other income (loss) fluctuated by $3.9 million to income of $0.5 million for the three months ended June 30, 2019 from a loss of $3.4 million for the same period in 2018. Other income (loss) fluctuated by $4.5 million to income of $0.5 million for the six months ended June 30, 2019 from a loss of $4.0 million for the same period in 2018. Changes in other income (loss) are due primarily to foreign currency gains and losses recognized during the respective periods given the significant financial statement items we have denominated in foreign currencies, including primarily the Brazilian real, euro and Canadian dollar. Also included in other income (loss) for the three months ended June 30, 2019 are costs for legal and other advisers totaling $0.4 million related to our efforts to seek an amendment or refinancing of to our Facility Agreement (see further discussion in Note 5: Long-Term Debt and Other Financing Arrangements to our condensed consolidated financial statements).

Liquidity and Capital Resources

Overview

Our principal liquidity requirements include paying our debt service obligations and funding our operating costs, including certain contractual obligations discussed in Part II, Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2018 Annual Report, which have not materially changed since the time of that filing. Our principal sources of liquidity include cash on hand and cash flows from operations. We also expect sources of liquidity to include funds from other debt or equity financings that have not yet been fully arranged. See below for further discussion. See Part I, Item 1A. Risk Factors in our 2018 Annual Report for a description of risks, some of which are beyond our control, affecting our ability to fulfill our liquidity requirements.

As of June 30, 2019, we held cash and cash equivalents of $25.1 million and restricted cash of $60.9 million. Restricted cash is required to be used to make principal and interest payments under our Facility Agreement. See below for further discussion. We also had a reserve of approximately $5.0 million held with our credit card processors to address any liability arising from potential charge-backs given the growth in both volume and amount of our annual service subscriptions, among other factors. The reserve amount is recorded in prepaid and other current assets on our condensed consolidated balance sheet.

As discussed in Note 5: Long Term Debt and Other Financing Arrangements, we are actively working to complete a transaction that would improve our capital structure and address our current liquidity concerns, by, among other things, limiting the amount of principal payments we are required to make on our indebtedness prior to its maturity. We are currently pursuing two alternative transactions: (i) a complete refinancing of our existing debt and (ii) an amendment to our current debt BPIFAE Facility Agreement coupled with a new second lien credit facility.

With regard to the refinancing, we believe we are nearing an agreement on commercial terms for new first and second lien senior secured loan facilities with institutional financial and strategic lenders, including Thermo. This proposed financing is expected to be in the following form:

- a senior secured first lien term loan facility with an aggregate principal amount of $200 million and a maturity of five years; and
- a senior secured second lien term loan facility with an aggregate principal amount of $150 million and a maturity of six years.

If this financing is consummated, we expect that all amounts outstanding under our existing Facility Agreement and under the Subordinated Loan Agreement raised in June 2019 would be paid in full, and that all amounts outstanding under the subordinated Loan Agreement with Thermo would convert to common stock at a conversion price equal to $0.69 per share. We expect that the first lien term loan facility will bear cash interest at a rate of approximately 10% and the second lien term loan facility will bear payable-in-kind interest at a fixed rate of 14.0% per annum. We also expect that we will issue warrants to purchase common stock to the second lien lenders.

With regard to the amendment alternative, we have reached an agreement in principle with our lenders under the BPIFAE Facility Agreement on an amendment of certain key terms. While final amended terms are subject to definitive documentation, we expect that this amendment would provide for (i) prepayment of the next four scheduled principal payments using primarily proceeds from a new second lien term loan facility, (ii) revisions to the remaining repayment schedule to reduce the amount of payments of principal required prior to maturity, and (iii) a reset of financial covenant levels together with an extension of our ability to make equity cures.

In consultation with the Strategic Review Committee of our Board of Directors and our financial advisors, we intend to select the alternative that is in the best interest of the company. We seek to have one of these financing alternatives consummated during the third quarter of 2019.

As of December 31, 2018, we held cash and cash equivalents of $15.2 million and had $60.3 million in restricted cash.

The carrying amount of our current and long-term debt outstanding was $98.8 million and $392.7 million, respectively, at June 30, 2019, compared to $96.2 million and $367.2 million, respectively, at December 31, 2018. The current portion of our debt outstanding at these dates represents primarily principal payments under our Facility Agreement scheduled to occur within 12 months. At June 30, 2019, this current debt balance also included the total outstanding amount of our 2013 8.00% Notes based on the put and call features in these notes. The increase in our total debt balance was due primarily to our borrowing of $62.0 million under the Subordinated Loan Agreement during the second quarter of 2019, a higher carrying value of the Loan Agreement with Thermo due to interest accruing on that debt as well as accretion of the associated debt discount, and a higher carrying value of the Facility Agreement due to accretion of debt financing costs. These increases were offset by a principal payment of $47.4 million under the Facility Agreement in June 2019.

Indebtedness and Available Credit

Facility Agreement

We entered into the Facility Agreement in 2009, which was amended and restated in July 2013, August 2015 and June 2017. The Facility Agreement is scheduled to mature in December 2022.

The Facility Agreement contains customary events of default and requires that we satisfy various financial and non-financial covenants. The compliance calculations of the financial covenants of the Facility Agreement permit us to include certain cash funds we receive from the issuance of our common stock and/or subordinated indebtedness before or immediately after the calculation date. We refer to these funds as "Equity Cure Contributions" and we may include them in calculating compliance with financial covenants through December 2019, subject to the conditions set forth in the Facility Agreement. If we violate any covenants and are unable to obtain a sufficient Equity Cure Contribution or a waiver, or are unable to make payments to satisfy our debt obligations under the Facility Agreement and are unable to obtain a waiver, we would be in default under the Facility Agreement, and the lenders could accelerate payment of the indebtedness. The acceleration of our indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-acceleration provisions. We needed an Equity Cure Contribution to maintain compliance with financial covenants under the Facility Agreement for the measurement period ending June 30, 2019. We also anticipate that we will need an Equity Cure Contribution to maintain compliance with financial covenants for the measurement period ending December 31, 2019. The source of funds for this Equity Cure Contribution has not yet been arranged. Additionally, we may not be in compliance with financial covenants under the Facility Agreement for the measurement period June 30, 2020, and the Facility Agreement would not permit an Equity Cure Contribution at this time. As previously discussed, we are actively working to refinance or amend the terms of the Facility Agreement, which could include an extension of our ability to use Equity Cure Contributions; however, the terms of any such amendment or refinancing have not been determined. As of June 30, 2019, we were in compliance with respect to the covenants of the Facility Agreement, except for one matter. Earlier in 2019, the agent to the lenders of the Facility Agreement notified us that they believe that we had not complied with a certain administrative provision within the Facility Agreement. We believe that we remedied any noncompliance within the allowed cure period and therefore avoided an event of default.

The Facility Agreement also requires that we maintain a debt service reserve account that is pledged to secure all of our obligations under the Facility Agreement. We may use the debt service reserve account funds only to make principal and interest payments under the Facility Agreement. The balance in the debt service reserve account must equal at least the total amount of principal and interest payable on the next payment date. As of June 30, 2019, the balance in the debt service reserve account was $58.8 million and the balance in our equity proceeds account was $2.1 million, both of which were classified as restricted cash on our condensed consolidated balance sheets.

Indebtedness under the Facility Agreement bears interest at a floating rate of LIBOR plus a margin that increases by 0.5% each year to a maximum rate of LIBOR plus 5.75%. For the twelve-month period ended June 30, 2019, this rate was LIBOR plus 3.75%. This margin increased to 4.25% on July 1, 2019. Interest on the Facility Agreement is payable semi-annual in arrears in June and

December of each calendar year. Ninety-five percent of our obligations under the Facility Agreement are guaranteed by Bpifrance Assurance Export S.A.S. ("BPIFAE") (formerly COFACE). Our obligations under the Facility Agreement are guaranteed on a senior secured basis by all of our domestic subsidiaries and are secured by a first priority lien on substantially all of our assets and our domestic subsidiaries (other than their FCC licenses), including patents and trademarks, 100% of the equity of our domestic subsidiaries and 65% of the equity of certain foreign subsidiaries.

See Note 5: Long-Term Debt and Other Financing Arrangements to our condensed consolidated financial statements for further discussion of the Facility Agreement.

Subordinated Loan Agreement

On July 2, 2019, we entered into a Subordinated Loan Agreement (the “Subordinated Loan Agreement”), effective as of June 28, 2019, with Thermo Funding Company LLC (an affiliated entity to Thermo, as previously defined in this filing), and certain other unaffiliated parties (together with Thermo, the “Lenders”). Under the Subordinated Loan Agreement, the Lenders lent $62.0 million on June 28, 2019 for the primary purpose of funding the June 30, 2019 scheduled payment of interest and principal under our Facility Agreement and for certain other purposes. The loans under the Subordinated Loan Agreement qualified as an Equity Cure Contribution under the Facility Agreement. Our indebtedness to the Lenders is subordinated to our obligations under the Facility Agreement. Thermo has agreed to subordinate our obligations under the Loan Agreement to our obligations to it under the Subordinated Loan Agreement.

The Subordinated Loan Agreement accrues interest at 15% per annum, which is capitalized and added to the outstanding principal in lieu of cash payments. Payments to the Lenders will be made only when permitted under the Facility Agreement. The Subordinated Loan Agreement becomes due and payable on December 31, 2023, or upon any acceleration of the maturity of the Subordinated Loan Agreement. As of June 30, 2019, $0.1 million of interest had accrued with respect to the Subordinated Loan Agreement.

The Subordinated Loan Agreement also contains an affirmative covenant requiring us to use reasonable best efforts to either (i) refinance our obligations under the Facility Agreement and the Subordinated Loan Agreement in full or (ii) refinance our obligations under the Subordinated Loan Agreement and obtain a corresponding amendment of the Facility Agreement to permit such refinancing. In addition, in the event our obligations under the Bridge Loan have not been refinanced within 120 days of the date of the Bridge Loan, we are required to use reasonable best efforts to issue and do all things to facilitate the issuance of registered warrants exercisable for shares of Globalstar common stock to the Lenders in such amounts and on such terms and we and the Lenders shall agree.

Thermo Agreements

We have an amended and restated loan agreement with Thermo (the “Loan Agreement”). Our obligations to Thermo under the Loan Agreement are subordinated to all of our obligations under the Facility Agreement. Amounts outstanding under the Loan Agreement accrue interest at 12% per annum, which we capitalize and add to the outstanding principal in lieu of cash payments. We will make payments to Thermo only when permitted by the Facility Agreement. Principal and interest under the Loan Agreement become due and payable six months after the obligations under the Facility Agreement have been paid in full, or earlier if there is a change in control or any acceleration of the maturity of the loans under the Facility Agreement occurs. As of June 30, 2019, the principal amount outstanding was $127.1 million, including $83.6 million of interest that had accrued since 2009 under to the Loan Agreement.

As part of the July 2013 amendment and restatement of the Loan Agreement, conversion features were added to the Loan Agreement consistent with those features in the 2013 8.00% Notes. Outstanding amounts under the Loan Agreement are convertible into shares of common stock at a conversion price of $0.69 (as adjusted) per share of common stock.

See Note 5: Long-Term Debt and Other Financing Arrangements to our condensed consolidated financial statements for further discussion of the Thermo Agreements.

8.00% Convertible Senior Notes Issued in 2013

Our 2013 8.00% Notes are convertible into shares of our common stock at a conversion price of $0.69 (as adjusted) per share of common stock. As of June 30, 2019, the principal amount outstanding of the 2013 8.00% Notes was $1.4 million. The 2013 8.00% Notes will mature on April 1, 2028, subject to various call and put features. A holder of 2013 8.00% Notes has the right, at the holder's option, to require us to purchase some or all of the 2013 8.00% Notes on April 1, 2023 at a price equal to the principal amount of the 2013 8.00% Notes to be purchased plus accrued and unpaid interest. Interest on the 2013 8.00% Notes is payable semi-annually in arrears on April 1 and October 1 of each year. We pay interest in cash at a rate of 5.75% per annum and by issuing additional 2013 8.00% Notes at a rate of 2.25% per annum.

The indenture governing the 2013 8.00% Notes provides for customary events of default. If there is an event of default, the Trustee may, at the direction of the holders of 25% or more in aggregate principal amount of the 2013 8.00% Notes, accelerate the maturity of the 2013 8.00% Notes. As of June 30, 2019, we were in compliance under the terms of the 2013 8.00% Notes and the Indenture.

See Note 5: Long-Term Debt and Other Financing Arrangements to our condensed consolidated financial statements for further discussion of the 2013 8.00% Notes.

Cash Flows for the six months ended June 30, 2019 and 2018

The following table shows our cash flows from operating, investing and financing activities (in thousands):

	Six Months Ended	
	June 30, 2019	June 30, 2018
Net cash provided by operating activities	$ 1,810	$ 7,805
Net cash used in investing activities	(5,097)	(8,899)
Net cash provided by (used in) financing activities	13,737	(38,614)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	43	(73)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 10,493	$ (39,781)

Cash Flows Provided by Operating Activities

Cash provided by operations includes primarily cash receipts from subscribers related to the purchase of equipment and satellite voice and data services. We use cash in operating activities primarily for personnel costs, inventory purchases and other general corporate expenditures. Net cash provided by operating activities during the six months ended June 30, 2019 was $1.8 million compared to $7.8 million during the same period in 2018. This decrease was due primarily to lower net income, after adjusting for non-cash items, offset by favorable working capital changes.

Cash Flows Used in Investing Activities

Cash used in investing activities was $5.1 million for the six months ended June 30, 2019 compared to $8.9 million for the same period in 2018. This decrease was due primarily to a reduction in the amount of cash interest capitalized of $3.2 million. As previously disclosed, our construction in progress balance has decreased significantly since the second quarter of 2018, specifically related to our ground network; therefore, the amount of interest eligible to be capitalized is lower.

Cash Flows Provided by (Used in) Financing Activities

Cash flows provided by financing activities includes primarily proceeds from the issuance of debt or Globalstar common stock. Cash flows used in financing activities includes primarily principal payments of the Facility Agreement as well as payments for debt and equity issuance costs, as applicable. During the first six months of 2019, the Company raised $62.0 million from our Subordinated Loan Agreement (as discussed above), which was used predominantly to fund the June 2019 principal and interest payment under our Facility Agreement. For the six months ended June 30, 2019 and 2018, principal payments of the Facility Agreement totaled $47.4 million and $38.9 million, respectively. Additionally, in connection with our refinancing efforts during 2019, we paid $1.2 million for services provided by financial advisers, legal counsel and other parties.

Contractual Obligations and Commitments

There have been no significant changes to our contractual obligations and commitments since December 31, 2018.

Off-Balance Sheet Transactions

We have no material off-balance sheet transactions.

Recently Issued Accounting Pronouncements

For a discussion of recently issued accounting guidance and the expected impact that the guidance could have on our condensed consolidated financial statements, see *Recently Issued Accounting Pronouncements* in Note 1: Basis of Presentation to our condensed consolidated financial statements in Part 1, Item 1 of this Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our services and products are sold, distributed or available in over 120 countries. Our international sales are denominated primarily in Canadian dollars, Brazilian reais and euros. In some cases, insufficient supplies of U.S. currency may require us to accept payment in other foreign currencies. We reduce our currency exchange risk from revenues in currencies other than the U.S. dollar by requiring payment in U.S. dollars whenever possible and purchasing foreign currencies on the spot market when rates are favorable. We currently do not purchase hedging instruments to hedge foreign currencies. We are obligated to enter into currency hedges with the lenders to the Facility Agreement no later than 90 days after any fiscal quarter during which more than 25% of revenues is denominated in a single currency other than U.S. or Canadian dollars. Otherwise, we cannot enter into hedging agreements other than interest rate cap agreements or other hedges described above without the consent of the agent for the Facility Agreement, and with that consent the counterparties may only be the lenders to the Facility Agreement.

We also have operations in Venezuela. Since 2010, the Venezuelan government's frequent modifications to its currency laws have caused the bolivar to devalue significantly and resulted in Venezuela being considered a highly inflationary economy. We continue to monitor the significant uncertainty surrounding current Venezuela exchange mechanisms.

Our interest rate risk arises from our variable rate debt under our Facility Agreement, under which loans bear interest at a floating rate based on the LIBOR. In order to reduce the interest rate risk, we completed an arrangement with the lenders under the Facility Agreement to limit the interest to which we are exposed. The interest rate cap provides limits on the 6-month LIBOR rate (Base Rate) used to calculate the coupon interest on outstanding amounts on the Facility Agreement to be capped at 5.50% should the Base Rate not exceed 6.5%. Should the Base Rate exceed 6.5%, our Base Rate will be 1% less than the then 6-month LIBOR rate. We have $342.0 million in principal outstanding under the Facility Agreement. A 1.0% change in interest rates would result in a change to interest expense of approximately $3.4 million annually.

See Note 7: Fair Value Measurements in our condensed consolidated financial statements for discussion of our financial assets and liabilities measured at fair market value and the market factors affecting changes in fair market value of each.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 as of June 30, 2019, the end of the period covered by this Report. This evaluation was based on the guidelines established in *Internal Control - Integrated Framework* issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Based on this evaluation, each of our Principal Executive Officer and Principal Financial Officer concluded that as of June 30, 2019 our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We believe that the condensed consolidated financial statements included in this Report fairly present, in all material respects, our condensed consolidated financial position and results of operations for the six months ended June 30, 2019.

(b) Changes in internal control over financial reporting.

As of June 30, 2019, our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated our internal control over financial reporting. Based on that evaluation, our Principal Executive Officer and Principal Financial Officer concluded that no changes in our internal control over financial reporting occurred during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of our material pending legal and regulatory proceedings and settlements, see Note 8: Contingencies in our Condensed Consolidated Financial Statements in Part I, Item 1 of this Report.

Item 1A. Risk Factors.

You should carefully consider the risks described in this Report and all of the other reports that we file from time to time with the SEC, in evaluating and understanding us and our business. Additional risks not presently known or that we currently deem immaterial may also impact our business operations and the risks identified in this Report may adversely affect our business in ways we do not currently anticipate. Our financial condition or results of operations also could be materially adversely affected by any of these risks. There have been no material changes to our risk factors disclosed in Part I. Item 1A. "Risk Factors" of our 2018 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not Applicable

Item 3. Defaults upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Corrected Second Amended and Restated Certificate of Incorporation of Globalstar, Inc. (Exhibit 3.1 to Form 8-K filed June 19, 2019)
10.1	Subordinated Loan Agreement Dated as of July 2, 2019 by and among Globalstar, Inc. and Other Lenders
31.1	Section 302 Certification of the Principal Executive Officer
31.2	Section 302 Certification of the Principal Financial Officer
32.1	Section 906 Certification of the Principal Executive Officer
32.2	Section 906 Certification of the Principal Financial Officer
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBALSTAR, INC.

Date:	August 9, 2019 By:	/s/ David B. Kagan
		David B. Kagan
		Chief Executive Officer (Principal Executive Officer)
		/s/ Rebecca S. Clary
		Rebecca S. Clary
		Chief Financial Officer (Principal Financial Officer)

SUBORDINATED

LOAN AGREEMENT

Dated as of July 2, 2019

by and among

GLOBALSTAR, INC.,

as Borrower, and

THE LENDERS PARTY HERETO,

as Lenders

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ARTICLE VI

MISCELLANEOUS

SUBORDINATED LOAN AGREEMENT

Subordinated Loan Agreement, dated as of July 2, 2019 (this "Agreement"), by and among Globalstar, Inc., a Delaware corporation (the "Borrower"), and the lenders party hereto (each a "Lender" and collectively, the "Lenders").

RECITALS

The Borrower has asked the Lenders to extend credit to the Borrower consisting of a loan in the original principal amount of $62,000,000. The proceeds of the loan shall be used (i) to fund a scheduled repayment under the Borrower's Existing Financing Agreement (as defined below), including any interest and other amounts payable thereunder, (ii) to pay fees and expenses (including, but not limited to, the fees of counsel to the Lenders) related to this Agreement and the transactions contemplated hereby and (iii) for general corporate purposes. The Lenders are severally, and not jointly, willing to extend such credit to the Borrower subject to the terms and conditions hereinafter set forth.

In consideration of the premises and the covenants and agreements contained herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS; CERTAIN TERMS

Section 1.1 Definitions. As used in this Agreement, the following terms shall have the respective meanings indicated below, such meanings to be applicable equally to both the singular and plural forms of such terms:

"Affiliate" means, with respect to any Person, any other Person controlled by, controlling or under common control with such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" has the meaning specified in the preamble hereto.

"Bankruptcy Code" means the United States Bankruptcy Code (11 U.S.C. § 101, et seq.), as amended, and any successor statute.

"Borrower" has the meaning specified therefor in the preamble hereto.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required to close.

"Capital Stock" means (i) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, and (ii) with respect to any Person that is not a corporation, any and all partnership, membership or other equity interests of such Person.

"Change of Control" means each occurrence of any of the following:

(a) the acquisition, directly or indirectly, by any person or "group" (within the meaning of Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Closing Date), (but excluding James Monroe III (or, in the event of his death or incapacity, his executors, trustees, heirs or legal representatives and any affiliate of the foregoing) (such Persons, the "Permitted Holders")) of beneficial ownership of common stock representing 35% or more of the aggregate voting power represented by the issued and outstanding common stock of the Borrower and the ownership by Permitted Holders of, directly or indirectly, less than such person or "group" of the aggregate voting power represented by the issued and outstanding capital stock of the Borrower; or

(b) any "Change of Control" or similar term, as defined in the Existing Financing Agreement.

"Closing Date" means June 28, 2019.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make its portion of the Loan to the Borrower in the amount set forth in Schedule 1.1(A) hereto, as the same may be terminated in accordance with the terms of this Agreement.

"Defaulting Lender" means any Lender that has been, or has a direct or indirect parent or holding company that has been, deemed insolvent or become the subject of an Insolvency Proceeding.

"Dollar," "Dollars" and the symbol "$" each means lawful money of the United States.

"Effective Date" means June 28, 2019.

"Event of Default" means any of the events set forth in Section 5.1.

"Existing Agent" has the meaning specified therefor in the definition of "Existing Financing Agreement."

"Existing Financing Agreement" means that certain BPIFAE Facility Agreement, dated as of June 5, 2009 (as amended and restated on August 22, 2013, as further amended and restated on August 7, 2015 and as further amended and restated on June 30, 2017), by and among the Borrower, BNP Paribas, as the security agent and the BPIFAE agent (in such capacity, the "Existing Agent"), and the other banks and financial institutions party thereto, as lead arrangers and lenders.

"Existing Thermo Loan Agreement" means that certain Amended and Restated Loan Agreement, dated as of July 31, 2013, by and between the Borrower and Thermo.

"Final Maturity Date" means December 31, 2023 or such earlier date on which the Loan shall become due and payable in accordance with the terms of this Agreement.

"Insolvency Proceeding" means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, assignments for the benefit of creditors, formal or informal moratoria, compositions, or extensions generally with creditors, or proceedings seeking reorganization, arrangement, or other similar relief.

"Interest Payment Date" has the meaning specified therefor in Section 2.3(a).

"Lender" has the meaning specified therefor in the preamble hereto.

"Loan" has the meaning specified therefor in Section 2.1.

"Material Adverse Effect" means any event, condition, fact or circumstance that has had or could reasonably be expected to have a material adverse effect on any of (i) the operations, business, assets, properties or financial condition of the Borrower and its Subsidiaries taken as a whole, (ii) the ability of the Borrower to perform any of its payment obligations hereunder taken as a whole or (iii) the material rights and remedies of the Lenders hereunder, taken as a whole, including the legality, validity, binding effect or enforceability of this Agreement.

"Note" means a promissory note in substantially the form of Exhibit A attached hereto.

"Obligations" means all present and future indebtedness, obligations, and liabilities of the Borrower to the Lenders, or any of them, hereunder, whether or not the right of payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured, unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 5.1(b) or Section 5.1(f).

"Person" means an individual, corporation, limited liability company, partnership, association, joint-stock company, trust, unincorporated organization, joint venture or other enterprise or entity.

"Post-Default Rate" means a rate of interest per annum equal to the rate of interest otherwise in effect from time to time pursuant to the terms of this Agreement plus 2%.

"Pro Rata Share" means with respect to a Lender's obligation to make the Loan and right to receive payments of interest, fees, and principal with respect thereto, the percentage obtained by dividing (i) such Lender's Commitment, by (ii) the Total Commitment, provided that if the Total Commitment has been reduced to zero, the numerator shall be the unpaid principal amount of such Lender's portion of the Loan and the denominator shall be the unpaid principal amount of the Loan.

"Required Lenders" means Lenders who hold an outstanding principal amount of the Loan, in the aggregate, that is in excess of 50% of the then total outstanding principal amount of the Loan, in each case, excluding the outstanding principal amount of the Loan held by any Defaulting Lender; provided that, if at any time there are fewer than three (3) unaffiliated Lenders that are not Defaulting Lenders, "Required Lenders" must include at least two (2) unaffiliated Lenders.

"SEC" means the Securities and Exchange Commission.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC thereunder.

"Subordination Deed" means that certain Subordination Deed, dated as of the date hereof, by and among the Borrower, the Lenders and the Existing Agent.

"Subsidiary" means, with respect to any Person at any date, any corporation, limited or general partnership, limited liability company, trust, estate, association, joint venture or other business entity (i) the accounts of which would be consolidated with those of such Person in such Person's consolidated financial statements if such financial statements were prepared in accordance with GAAP or (ii) of which more than 50% of (A) the outstanding Capital Stock having (in the absence of contingencies) ordinary voting power to elect a majority of the board of directors or other managing body of such Person, (B) in the case of a partnership or limited liability company, the interest in the capital or profits of such partnership or limited liability company or (C) in the case of a trust, estate, association, joint venture or other entity, the beneficial interest in such trust, estate, association or other entity business is, at the time of determination, owned or controlled directly or indirectly through one or more intermediaries, by such Person.

"Thermo" means Thermo Funding Company LLC.

"Thermo Subordination Deed" means that certain Subordination Deed, dated as of the date hereof, by and among the Borrower, the Lenders, as the lenders hereunder, and Thermo, as the lender under the Existing Thermo Loan Agreement, pursuant to which the loans under the Existing Thermo Loan Agreement shall be subordinated to the Loan.

"Total Commitment" means the sum of the amounts of the Lenders' Commitments, which amount shall be $62,000,000 as of the Closing Date.

"United States" means the United States of America.

Section 1.2 Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation", whether or not so expressly stated in each such instance and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, amended and restated, supplemented or otherwise modified (subject to any restrictions on such amendments, amendments and restatements, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any right or interest in or to assets and properties of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible and (f) any reference to a "Lender" shall be a reference to such Person in its capacity as a Lender.

Section 1.3 Time References. Unless otherwise indicated herein, all references to time of day refer to Eastern Standard Time or Eastern daylight saving time, as in effect in New York City on such day. For purposes of the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding"; provided, however, that with respect to a computation of fees or interest payable to any Lender, such period shall in any event consist of at least one full day.

Section 1.4 Effective Date. Notwithstanding any provision to the contrary, the parties hereby agree that this Agreement and all rights and obligations of the parties thereunder, shall have become effective on and from the Effective Date.

ARTICLE II

THE LOAN

Section 2.1 Commitments and Making the Loan. Subject to the terms and conditions and relying upon the representations and warranties herein set forth, each Lender severally agrees to make a loan (collectively, the "Loan") to the Borrower on the Closing Date, in an aggregate principal amount equal to such Lender's Commitment. Notwithstanding the foregoing, the aggregate principal amount of the Loan made on the Closing Date shall not exceed the Total Commitment. The Commitment of a Lender shall terminate upon the making of the Loan by such Lender on the Closing Date. Any principal amount of the Loan that is repaid or prepaid may not be reborrowed. No Lender shall be responsible for any default by any other Lender in such other Lender's obligations to make a Loan requested hereunder, nor shall the Commitment of any Lender be increased or decreased as a result of the default by any other Lender in such other Lender's obligation to make a Loan requested hereunder, and each Lender shall be obligated to make the Loan required to be made by it by the terms of this Agreement regardless of the failure by any other Lender.

Section 2.2 Repayment of Loans; Evidence of Debt.

(a) The outstanding principal of the Loan shall be repaid in full on the Final Maturity Date.

(b) Any Lender may request that Loans made by it be evidenced by a Note. In such event, the Borrower shall execute and deliver to such Lender a Note.

(c) Subject to Section 6.16, the Borrower shall maintain accounts in a register in which it shall record (i) the amount of each Loan made by each Lender hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of each sum paid to each Lender by the Borrower hereunder with respect to such Lender's Loan.

(d) Subject to Section 6.16, each Lender shall maintain accounts in a register in which it shall record (i) the amount of the Loan made by such Lender hereunder, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to such Lender hereunder and (iii) the amount of any sum received by such Lender hereunder with respect to such Lender's Loan.

Section 2.3 Interest.

(a) Loan. Subject to Section 2.3(b), the Loan shall bear interest on the principal amount thereof from time to time outstanding, from the date of the making of the Loan until the Termination Date in accordance herewith at a rate per annum equal to 15.0% per annum, payable on the last Business Day of each fiscal quarter of the Borrower ending after the Closing Date (each such date, an "Interest Payment Date"). On each Interest Payment Date, all accrued and unpaid interest on the Loan shall be paid in kind by the Borrower by capitalizing and adding an amount equal to the amount of all such accrued and unpaid interest due and payable on such Interest Payment Date to the principal amount of the Loan, effective on and as of such Interest Payment Date, which amounts shall thereafter be treated in all respects as part of the outstanding principal amount of the Loan; provided that, at the option of the Borrower and upon not less than one (1) Business Day's prior written notice to the Lenders, the Borrower may elect to pay any accrued and unpaid interest in cash if such cash interest payment is permitted under the Subordination Deed at such time.

(b) Default Interest. To the extent permitted by law, upon the occurrence and during the continuance of an Event of Default, the principal of, and all accrued and unpaid interest on, all Loans, fees, indemnities or any other Obligations of the Borrower under this Agreement shall bear interest, from the date such Event of Default occurred to the date such Event of Default is waived in writing in accordance herewith, at a rate per annum equal at all times to the Post-Default Rate.

(c) [Reserved].

(d) General. Interest shall accrue hereunder commencing on, and including, the Closing Date until, but excluding, the date on which the Obligations hereunder (other than unasserted contingent indemnification Obligations that are not required by the provisions of this Agreement to be repaid or cash collateralized) are indefeasibly paid in full in cash (the "Termination Date"), whether by way of "roll-up" into a credit facility intended to refinance this Agreement or otherwise. All interest shall be computed on the basis of a year of 365 days for the actual number of days, including the first day but excluding the last day, elapsed.

Section 2.4 Optional Prepayment. Subject to the terms of the Subordination Deed, the Borrower may, upon at least one (1) Business Day's prior written notice to the Lenders, prepay the principal of the Loan, in whole or in part, without premium or penalty. Each optional prepayment pursuant to this Section 2.4 shall be paid to the Lenders based on their Pro Rata Shares, and shall be accompanied by all accrued and unpaid interest on the amount of principal prepaid.

Section 2.5 Mandatory Prepayment. Subject to the terms of the Subordination Deed, in the event that the Borrower incurs or issues any third-party indebtedness for borrowed money (whether in the form of loans, debt securities or otherwise) at any time on or after the Closing Date, the Borrower shall apply all of the net proceeds of such incurrence or issuance to prepay the outstanding principal amount of the Loan. Each mandatory prepayment pursuant to this Section 2.5 shall be paid to the Lenders based on their Pro Rata Shares, and shall be accompanied by all accrued and unpaid interest on the amount of principal prepaid.

Section 2.6 Payments; Computations and Statements. Subject to the terms of the Subordination Deed, the Borrower will make each payment under this Agreement when due, in Dollars and in immediately available funds, to each Lender in accordance with its Pro Rata Share, in each case to be applied in accordance with the terms of this Agreement, according to the payment instructions notified to the Borrower by each Lender in writing. All payments received by a Lender after 2:00 p.m. on any Business Day will be credited on the next succeeding Business Day. The Obligations, and any payments made in respect thereof, are not subject to set-off, rights of rescission, counterclaim, deduction or other defense to the Lenders. Whenever any payment to be made under this Agreement shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

ARTICLE III

CONDITIONS TO LOANS

Section 3.1 Conditions Precedent. The occurrence of the Closing Date and the obligation of each Lender to make the Loan hereunder on the Closing Date is subject to the fulfillment, to the satisfaction of such Lender (the making of such extension of credit by such Lender being conclusively deemed to be its satisfaction or waiver of the following), of each of the conditions precedent set forth below:

(a) Representations and Warranties. The representations and warranties contained in ARTICLE III are true and correct on and as of the Closing Date in all material respects (except that any representation and warranty to the extent qualified as to “materiality” or “Material Adverse Effect” shall be true and correct in all respects) as though made on and as of such date (except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date).

(b) No Event of Default. No Default or Event of Default shall have occurred and be continuing on the Closing Date or would result from this Agreement becoming effective in accordance with its terms.

(c) Payment of Fees. The Borrower shall have paid on or before the date of this Agreement all fees, costs and expenses payable hereunder on the Closing Date, including the fees of counsel to the Lenders.

(d) Delivery of Documents. Each Lender shall have received on or before the Closing Date the following, each in form and substance reasonably satisfactory to such Lender and, unless indicated otherwise, dated the Closing Date:

(i) a counter part of this Agreement signed by each of the Borrower and each other Lender;

(ii) a counterpart of the Subordination Deed signed by each other Lender, the Borrower and the Existing Agent;

(iii) a counterpart of the Thermo Subordination Deed signed by Thermo, as lender under the Existing Thermo Loan Agreement, each other Lender and the Borrower.

(iv) a copy of the resolutions of the Borrower, certified as of the Closing Date by an authorized officer thereof, authorizing (A) the borrowings and the transactions contemplated hereunder and the transactions contemplated under the Subordination Deed and the Thermo Subordination Deed, and (B) the execution, delivery and performance by the Borrower of this Agreement, the Subordination Deed and the Thermo Subordination Deed;

(v) a certificate of an authorized officer of the Borrower, certifying the names and true signatures of the representatives of the Borrower authorized to sign this Agreement, the Subordination Deed and the Thermo Subordination Deed, together with evidence of the incumbency of such authorized officers;

(vi) a certificate of the Secretary of State of the State of Delaware certifying as to the subsistence in good standing of, and the payment of taxes then due and payable by, the Borrower;

(vii) a true and complete copy of the certificate of incorporation of the Borrower certified as of a recent date not more than 30 days prior to the Closing Date by the Secretary of State of the State of Delaware;

(viii) a copy of the by-laws of the Borrower, together with all amendments thereto, certified as of the Closing Date by an authorized officer of the Borrower; and

(ix) an opinion of Taft Stettinius & Hollister LLP, counsel to the Borrower, in form and substance reasonably satisfactory to the Lenders.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES AND COVENANT

Section 4.1 Representations and Warranties. The Borrower hereby represents and warrants to the Lenders as of the Closing Date as follows:

(a) Organization, Good Standing, Etc. The Borrower (i) is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware and (ii) has all requisite power and authority to conduct its business as now conducted and as presently contemplated and to make the borrowings hereunder, and to execute and deliver this Agreement, the Subordination Deed and the Thermo Subordination Deed and to consummate the transactions contemplated hereby and thereby.

(b) Authorization, Etc. The execution, delivery and performance by the Borrower of this Agreement, the Subordination Deed and the Thermo Subordination Deed (i) have been duly authorized by all necessary corporate or other organizational action, (ii) do not and will not contravene its charter or by-laws, (iii) do not contravene any applicable law or any contractual restriction binding on or otherwise affecting it or any of its properties and (iv) do not and will not result in any default, noncompliance, suspension, revocation, impairment, forfeiture or nonrenewal of any permit, license, authorization or approval necessary for its operations or any of its material properties, except, in the case of clause (iii) and clause (iv), where the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

(c) Enforceability. This Agreement is a legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as may be limited by all applicable liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, and similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

(d) Material Adverse Effect. Since December 31, 2018, no event or development has occurred that has had or could reasonably be expected to have a Material Adverse Effect.

(e) Use of Proceeds. The proceeds of the Loan will be used to (i) fund a scheduled repayment under the Borrower's Existing Financing Agreement, including any interest and other amounts payable thereunder, (ii) pay fees and expenses (including, but not limited to, the fees of counsel to the Lenders) related to this Agreement and the transactions contemplated hereby and (iii) for general corporate purposes.

Section 4.2 Covenant. The Borrower shall use reasonable best efforts to (x) negotiate, document and enter into or issue (i) one or more credit facilities or series of debt securities, the proceeds of which shall be used repay in full and terminate the Existing Financing Agreement and this Agreement (whether effectuated through a "roll-up" of the Loan into such credit facility or otherwise) or (ii) a "second-lien" credit facility or series of debt securities, the proceeds of which shall be used to repay in full and terminate this Agreement (whether effectuated through a "roll-up" of the Loan into such "second-lien" credit facility or otherwise), and a corresponding amendment to the Existing Financing Agreement to permit such "second-lien" credit facility or series of debt securities, (y) issue, and do all things to facilitate the issuance of, registered warrants, exercisable for shares of common stock of the Borrower, to the providers of any "second-lien" credit facilities entered into, or the initial purchasers of any "second-lien" debt securities issued, pursuant to clause (x) above, and (z) in the event the "second-lien" credit facility or series of debt securities is not closed within 120 days of the Closing Date, issue, and do all things to facilitate the issuance of, registered warrants, exercisable for shares of common stock of the Borrower, to the Lenders in such amounts and on such terms and the Borrower and the Lenders shall agree.

ARTICLE V

EVENTS OF DEFAULT

Section 5.1 Events of Default. If any of the following Events of Default shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of or interest on the Loan or any other amount payable under this Agreement when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise);

(b) the Borrower (i) shall institute any proceeding or voluntary case seeking to adjudicate it as bankrupt or insolvent, or seeking dissolution, liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for any such Person or for any substantial part of its property, (ii) shall be generally not paying its debts as such debts become due or shall admit in writing its inability to pay its debts generally or (iii) shall make a general assignment for the benefit of creditors;

(c) any representation or warranty made by or on behalf of the Borrower or by any officer of the Borrower under or in connection with this Agreement shall have been incorrect in any material respect when made;

(d) the Borrower shall fail to perform or comply with any other term, covenant or agreement contained in this Agreement to be performed or observed by it and, except as set forth in subsections (a) or (c) of this Section 5.1, such failure shall remain unremedied for 30 days after the earlier of the date a senior officer of the Borrower becomes aware of such failure and the date written notice of such default shall have been given by any Lender (or any representative on behalf of the Lenders) to the Borrower;

(e) this Agreement shall at any time for any reason (other than pursuant to the express terms hereof) cease to be valid and binding on or enforceable against the Borrower, or the validity or enforceability thereof shall be contested in writing by the Borrower, or the Borrower shall deny in writing that it has any liability or obligation under this Agreement;

(f) any proceeding shall be instituted against the Borrower seeking to adjudicate it as bankrupt or insolvent, or seeking dissolution, liquidation, winding up, reorganization, arrangement, adjustment, protection, relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for any such Person or for any substantial part of its property, and either such proceeding shall remain undismissed or unstayed for a period of 60 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against any such Person or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its property) shall occur;

(g) the Borrower or any of its Subsidiaries shall fail to pay any principal of or interest or premium under any contract for any of its indebtedness (excluding the Obligations), to the extent that the aggregate principal amount of all such indebtedness exceeds $5,000,000, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such indebtedness, or any other default under any agreement or instrument relating to any such indebtedness, or any other event (other than, with respect to indebtedness consisting of hedging agreements, termination events or equivalent events pursuant to the terms of such hedging agreements and not as a result of any default thereunder by the Borrower or any of its Subsidiaries), shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such indebtedness; or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased or an offer to prepay, redeem, purchase or defease such Indebtedness shall be required to be made, in each case, prior to the stated maturity thereof; provided that this clause (g) shall not apply to secured indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such indebtedness, if such sale or transfer is permitted hereunder and under the documents providing for such indebtedness and the net proceeds of such sale or transfer are used to pay such indebtedness; provided further that this clause (g) shall not apply to (i) any indebtedness if the sole remedy of the holder thereof following such event or condition is to elect to convert such indebtedness into equity and cash in lieu of fractional shares or (ii) any such default that is remedied by or waived (including in the form of amendment) by the requisite holders of the applicable item of indebtedness or contested in good faith by the Borrower or the applicable Subsidiary, in either case, prior to acceleration of the Loan;

(h) one or more judgments, orders or awards (or any settlement of any claim that, if breached, could result in a judgment, order or award) for the payment of money exceeding $5,000,000 in the aggregate shall be rendered against the Borrower or any of its Subsidiaries and remain unsatisfied and either (i) enforcement proceedings shall have been commenced by any creditor upon any such judgment, order, award or settlement, (ii) there shall be a period of 60 consecutive days after entry thereof during which a stay of enforcement of any such judgment, order, award or settlement, by reason of a pending appeal or otherwise, shall not be in effect, or (iii) at any time during which a stay of enforcement of any such judgment, order, award or settlement, by reason of a pending appeal or otherwise, is in effect, such judgment, order, award or settlement is not bonded in the full amount of such judgment, order, award or settlement; provided, however, that any such judgment, order, award or settlement shall not give rise to an Event of Default under this subsection (l) if and for so long as (A) the amount of such judgment, order, award or settlement is covered by a valid and binding policy of insurance between the defendant and the insurer covering full payment thereof or otherwise covered by indemnification from a third party and (B) such insurer or other third party has been notified, and has not disputed the claim made for payment, of the amount of such judgment, order, award or settlement; or

(i) the occurrence of any Change of Control,

then, and in any such event, the Required Lenders may, by notice to the Borrower, declare all or any portion of the Loan then outstanding to be due and payable, whereupon all or such portion of the aggregate principal of all Loans, all accrued and unpaid interest thereon, all fees and all other amounts payable under this Agreement shall become due and payable immediately, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower and exercise any and all of its other rights and remedies under applicable law and hereunder; provided, however, that, upon the occurrence of any Event of Default described in subsection (b) or (f) of this Section 5.1 with respect to the Borrower, without any notice to the

Borrower or any other Person or any act by any Lender, and all Loans then outstanding, together with all accrued and unpaid interest thereon, all fees and all other amounts due under this Agreement shall become due and payable automatically and immediately, without presentment, demand, protest or notice of any kind, all of which are expressly waived by the Borrower.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Notices. All notices and other communications provided for hereunder shall be in writing and shall be mailed or delivered, if to the Borrower, at the following address:

Globalstar, Inc.
1351 Holiday Square Boulevard
Covington, LA 70433
Attention: Rebecca Clary
Telephone: (985) 335-1562
E-mail: Rebecca.Clary@globalstar.com

with a copy to (which shall not constitute notice):

Taft Stettinius & Hollister LLP
425 Walnut Street, Suite 1800
Cincinnati, Ohio 45202
Attention: Arthur McMahon, III
Telephone: (513) 357-9607
E-mail: amcmahon@taftlaw.com

if to any Lender, to such Lender at the address set forth on such Lender’s signature page hereto.

All such notices and other communications shall be effective, (i) if mailed, when received or three days after deposited in the mail, whichever occurs first, (ii) if e-mailed, when transmitted, so long as no delivery failure message is received within 60 minutes of such transmission (it being agreed that an “out of office” or similar message shall not constitute a delivery failure notice), or (iii) if delivered, upon delivery.

Any party hereto may change its address or e-mail address for notices and other communications hereunder by notice to the other parties hereto. Each of the Lenders or Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

Section 6.2 Amendments, Etc. No amendment or waiver of any provision of this Agreement, and no consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given, provided, however, that no amendment, waiver or consent shall (a) increase the Commitment of any Lender, reduce the principal of, or interest on, the Loan payable to any Lender, reduce the amount of any fee payable for the account of any Lender, or postpone or extend any date fixed for any payment of principal of, or interest or fees on the Loan payable to any Lender, in each case without the written consent of such Lender or (b)(i) increase the Total Commitment, (ii) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loan that is required for the Lenders or any of them to take any action hereunder, (iii) amend the definition of “Required Lenders”, or (iv) amend, modify or waive this Section 6.2, in the case of clauses (i) through (iv) of this clause (b), without the written consent of each Lender.

Section 6.3 No Waiver; Remedies, Etc. No failure on the part of any Lender to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The rights and remedies of the Lenders provided herein are cumulative and are in addition to, and not exclusive of, any rights or remedies provided by law. The rights of the Lenders hereunder against any party thereto are not conditional or contingent on any attempt by the Lenders to exercise any of their rights hereunder against such party or against any other Person.

Section 6.4 Right of Set-off. Subject to the Subordination Deed, upon the occurrence and during the continuance of any Event of Default, any Lender may, and is hereby authorized to, at any time and from time to time, without notice to the Borrower (any such notice being expressly waived by the Borrower) and to the fullest extent permitted by law, set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other Indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all obligations of the Borrower either now or hereafter existing hereunder, irrespective of whether or not such Lender shall have made any demand hereunder or thereunder and although such obligations may be contingent or unmatured. Each Lender agrees to notify the Borrower promptly after any such set-off and application made by such Lender provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Lenders under this Section 6.4 are in addition to the other rights and remedies (including other rights of set-off) which the Lenders may have under this Agreement, applicable law or otherwise.

Section 6.5 Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 6.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of each party hereto and their respective successors and assigns; provided, however, that none of the parties hereto may assign or transfer any of its rights hereunder without the prior written consent of the other parties hereto, and any such assignment without the such parties' prior written consent shall be null and void; provided, further, that any Lender may assign all or a portion of its rights and obligations under this Agreement with respect to all or a portion of its Commitments and the Loan made by it (a) to an Affiliate or (b) upon written notice to the Borrower, to one or more other Lenders or their Affiliates.

Section 6.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of this Agreement by electronic image scan transmission via electronic mail (e.g., .pdf) shall be equally as effective as delivery of an original executed counterpart of this Agreement.

Section 6.8 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF NEW YORK.

Section 6.9 CONSENT TO JURISDICTION; SERVICE OF PROCESS AND VENUE. ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT SHALL BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK IN THE COUNTY OF NEW YORK OR OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND, BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH PARTY HEREBY IRREVOCABLY ACCEPTS IN RESPECT OF ITS PROPERTY, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS. EACH PARTY HERETO HEREBY IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OUT OF ANY OF THE AFOREMENTIONED COURTS AND IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO SUCH PARTY AT ITS ADDRESS FOR NOTICES AS SET FORTH IN SECTION 6.1, SUCH SERVICE TO BECOME EFFECTIVE TEN (10) DAYS AFTER SUCH MAILING. EACH PARTY HERETO HEREBY EXPRESSLY AND IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH IT

MAY NOW OR HEREAFTER HAVE TO THE JURISDICTION OR LAYING OF VENUE OF ANY SUCH LITIGATION BROUGHT IN ANY SUCH COURT REFERRED TO ABOVE AND ANY CLAIM THAT ANY SUCH LITIGATION HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

Section 6.10 WAIVER OF JURY TRIAL, ETC. EACH PARTY HERETO HEREBY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM CONCERNING ANY RIGHTS UNDER THIS AGREEMENT, OR UNDER ANY AMENDMENT, WAIVER, CONSENT, INSTRUMENT, DOCUMENT OR OTHER AGREEMENT DELIVERED OR WHICH IN THE FUTURE MAY BE DELIVERED IN CONNECTION HEREWITH, OR OTHERWISE ARISING FROM OR IN CONNECTION WITH THIS AGREEMENT, AND AGREES THAT ANY SUCH ACTION, PROCEEDINGS OR COUNTERCLAIM SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY. THE PARTIES HERETO HEREBY ACKNOWLEDGE THAT THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE OTHER PARTIES HERETO ENTERING INTO THIS AGREEMENT.

Section 6.11 Confidentiality. Each Lender agrees (on behalf of itself and each of its affiliates, directors, officers, employees and representatives) to keep confidential any material non-public information supplied to it by the Borrower pursuant to this Agreement (and which at the time is not, and does not thereafter become, publicly available or available to such Person from another source not known to such Person to be subject to a confidentiality obligation not to disclose such information), provided that nothing herein shall limit the disclosure of any such information (i) to the extent required by statute, rule, regulation or judicial process, (ii) to counsel or financial advisors for any Lender on a need to know basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential), (iii) to examiners, auditors or accountants, (iv) in connection with any suit, action or proceeding relating to this Agreement to which any Lender is a party and (v) to its affiliates and their directors, officers, employees and agents, including accountants, legal counsel and other advisors on a need to know basis (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such information and instructed to keep such information confidential). Notwithstanding the foregoing, each Lender may disclose to any and all Persons, without limitation of any kind, the tax treatment and tax structure of the financing contemplated by this Agreement, and all materials of any kind (including opinions or other tax analyses) that are provided to any Lender relating to such tax treatment and tax structure. Each Lender agrees that, upon receipt of a request or identification of the requirement for disclosure pursuant to clause (iv) hereof, it will make reasonable efforts to keep the Borrower informed of such request or identification; provided that the Borrower acknowledges that each Lender may make disclosure as required or requested by any Governmental Authority or representative thereof and that each Lender may be subject to review by regulatory agencies and may be required to provide to, or otherwise make available for review by, the representatives of such parties or agencies any such non-public information.

Section 6.12 Integration. This Agreement, together with the Subordination Deed, reflects the entire understanding of the parties with respect to the transactions contemplated hereby and shall not be contradicted or qualified by any other agreement, oral or written, before the date hereof.

Section 6.13 SUBORDINATION. ALL OBLIGATIONS OF THE BORROWER TO THE LENDERS ARE SUBORDINATED TO THE BORROWER'S OBLIGATIONS UNDER THE EXISTING FINANCING AGREEMENT PURSUANT TO THE TERMS AND CONDITIONS OF THE SUBORDINATION DEED. THE LENDERS SHALL NOT REQUIRE THE BORROWER TO TAKE ANY ACTION HEREUNDER WHICH IS INCONSISTENT WITH THE TERMS AND CONDITIONS OF THE SUBORDINATION DEED OR SEEK ANY REMEDIES FOR THE FAILURE OF THE BORROWER TO TAKE ANY ACTION HEREUNDER THAT IS INCONSISTENT WITH THE BORROWER'S OBLIGATIONS UNDER THE SUBORDINATION DEED OR THE FINANCE DOCUMENTS (AS DEFINED IN THE EXISTING FINANCING AGREEMENT).

Section 6.14 Expenses; Attorneys' Fees. The Borrower will pay on demand, all reasonable documented out-of-pocket costs and expenses incurred by or on behalf of the Lenders arising from or relating to: (a) the negotiation, preparation, execution, delivery, performance and administration of this Agreement, the Subordination Deed and the Thermo Subordination Deed, (b) any requested amendments, waivers or consents to this Agreement, the Subordination Deed and the Thermo Subordination Deed, in each case, whether or not such documents become effective or are given, (c) the preservation and protection of any of the Lenders' rights under this Agreement, the Subordination Deed or the Thermo Subordination Deed, (d) the defense of any claim or action asserted or brought against any Lender by any Person that arises from or relates to this Agreement, the Subordination Deed or the Thermo Subordination Deed, any of the Lenders' claims against the Borrower, or any and all matters in connection therewith, (e) the commencement or defense of, or intervention in, any court proceeding arising from or related to this Agreement, the Subordination Deed or the Thermo Subordination Deed, (f) the filing of any petition, complaint, answer, motion or other pleading by any Lender in connection with this Agreement, the Subordination Deed or the Thermo Subordination Deed, (g) any attempt to collect from the Borrower any amounts due but unpaid, or (h) the receipt by any Lender of any advice from professionals with respect to any of the foregoing.

Section 6.15 Debtor-Creditor Relationship. The relationship between the Lenders, on the one hand, and the Borrower on the other hand, is solely that of creditor and debtor. No Lender has (or shall be deemed to have) any fiduciary relationship or duty to the Borrower arising out of or in connection with, and there is no agency or joint venture relationship between the Lenders, on the one hand, and the Borrower, on the other hand, by virtue of this Agreement or any transaction contemplated therein.

Section 6.16 Records. The unpaid principal of and interest on the Loan, the interest rate or rates applicable to such unpaid principal and interest, the duration of such applicability, and the Commitments, shall at all times be ascertained from the records of each of the Lenders (in the case of the Loan owed to such Lender) and the Borrower. To the extent that there is any discrepancy between the records kept by any Lender and the corresponding records kept by the Borrower, the records kept by the Lender shall control and be conclusive, absent manifest error on the part of such Lender.

Section 6.17 Reinstatement; Certain Payments. If any claim is ever made upon any Lender for repayment or recovery of any amount or amounts received by such Lender in payment or on account of any of the Obligations, such Lender shall give prompt notice of such claim to each other Lender and the Borrower, and if such Lender repays all or part of such amount by reason of (i) any judgment, decree or order of any court or administrative body having jurisdiction over such Lender or any of its property, or (ii) any good faith settlement or compromise of any such claim effected by such Lender with any such claimant, then and in such event the Borrower agrees that (A) any such judgment, decree, order, settlement or compromise shall be binding upon it notwithstanding the cancellation of the Obligations hereunder or the termination of this Agreement, and (B) it shall be and remain liable to such Lender hereunder for the amount so repaid or recovered to the same extent as if such amount had never originally been received by such Lender. The provisions of this Section 6.17 shall survive the Termination Date.

Section 6.18 Indemnity. In addition to the Borrower’s other Obligations under this Agreement, the Borrower agrees to, jointly and severally, defend, protect, indemnify and hold harmless each Lender and all of their respective officers, directors, employees, attorneys, consultants and agents (collectively called the “Indemnitees”) from and against any and all losses, damages, liabilities, obligations, penalties, fees, reasonable costs and expenses (including, without limitation, reasonable attorneys’ fees, costs and expenses) incurred by such Indemnitees, whether prior to or from and after the Closing Date, whether direct, indirect or consequential, as a result of or arising from or relating to or in connection with any of the following: (i) the negotiation, preparation, execution or performance or enforcement of this Agreement, the Subordination Deed or the Thermo Subordination Deed or of any other document executed in connection with the transactions contemplated by this Agreement, the Subordination Deed or the Thermo Subordination Deed, (ii) any Lender’s furnishing of funds to the Borrower pursuant to this Agreement, including, without limitation, the management of any such Loans, (iii) any matter relating to the financing transactions contemplated by this or by any document executed in connection with the transactions contemplated by this Agreement, the Subordination Deed or the Thermo Subordination Deed, or (iv) any claim, litigation, investigation or proceeding relating to any of the foregoing, whether or not any Indemnitee is a party thereto (collectively, the "Indemnified Matters"); provided, however, that the Borrower shall not have any obligation to any Indemnitee under this Section 6.18 for any Indemnified Matter resulting from the gross negligence, bad faith or willful misconduct of such Indemnitee or from the material breach of any obligation of such Indemnitee under this Agreement, the Subordination Deed or the Thermo Subordination Deed, in either case, as determined by a final judgment of a court of competent jurisdiction, (b) any disputes solely among Indemnitees (unless such claim would otherwise be excluded pursuant to clause (a) above) other than any claims arising out of any act or omission of the Borrower or any of its affiliates or (c) settlements effected without the Borrower's written consent.

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IN WITNESS WHEREOF, the undersigned has caused this Agreement to be duly executed and delivered as of the date first above written.

BORROWER:

GLOBALSTAR, INC.

By: /s/ David B. Kagan 6/28/19
Name: David Kagan
Title: Chief Executive Officer

LENDERS:

THERMO FUNDING COMPANY, LLC

By: /s/ J. Monroe

Name: James Monroe III
Title: Manager

Notice Address:

[Signature Page to Subordinated Loan Agreement]

LENDERS:

[*]

By:____[*]________________________

Name: [*]
Title: [*]

Notice Address: [*]

[Signature Page to Subordinated Loan Agreement]

LENDERS:

[*]

By:____________________________

Name: [*]
Title: [*]

Notice Address: [*]

[Signature Page to Subordinated Loan Agreement]

LENDERS:

[*]

____

Notice Address: [*]

[Signature Page to Subordinated Loan Agreement]

<u>Schedule 1.1(A)</u>

Commitments

Lender	**Commitment**
THERMO FUNDING COMPANY, LLC	$53,800,000
[*]	$3,100,000
[*]	$3,100,000
[*]	$2,000,000
Total:	$62,000,000

EXHIBIT A

(see attached)

Exhibit 31.1

Certification of Chief Executive Officer

I, David B. Kagan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globalstar, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

By: /s/ David B. Kagan

David B. Kagan

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer

I, Rebecca S. Clary certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globalstar, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusion about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

By: /s/ Rebecca S. Clary

Rebecca S. Clary

Chief Financial Officer (Principal Financial Officer)

Exhibit 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Globalstar, Inc. (the “Company”), does hereby certify that:

This quarterly report on Form 10-Q for the quarter ended June 30, 2019 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 9, 2019	By:	/s/ David B. Kagan
			David B. Kagan
			Chief Executive Officer (Principal Executive Officer)

Exhibit 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), the undersigned officer of Globalstar, Inc. (the “Company”), does hereby certify that:

This quarterly report on Form 10-Q for the quarter ended June 30, 2019 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 9, 2019	By:	/s/ Rebecca S. Clary
			Rebecca S. Clary
			Chief Financial Officer (Principal Financial Officer)