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

**FORM 10-Q**

(Mark One)

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

**For the quarterly period ended June 30, 2022**
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)
Registrant's Telephone Number, Including Area Code: **(985) 335-1500**

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

| Title of each class | Trading Symbol | Name of exchange on which registered |
|---|---|---|
| **Common Stock, par value $0.0001 per share** | **GSAT** | **NYSE American** |

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x 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 x

As of July 29, 2022, 1,801 million shares of voting common stock were 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**

**GLOBALSTAR, INC.**
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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, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Revenue: | | | | |
| Service revenue | $ 33,048 | $ 25,617 | $ 62,392 | $ 48,703 |
| Subscriber equipment sales | 3,752 | 4,662 | 7,180 | 8,505 |
| Total revenue | 36,800 | 30,279 | 69,572 | 57,208 |
| Operating expenses: | | | | |
| Cost of services (exclusive of depreciation, amortization, and accretion shown separately below) | 10,695 | 9,123 | 21,489 | 18,200 |
| Cost of subscriber equipment sales | 3,097 | 2,858 | 5,663 | 5,757 |
| Cost of subscriber equipment sales - reduction in the value of inventory | 16 | 782 | 16 | 782 |
| Marketing, general and administrative | 9,693 | 9,681 | 19,034 | 19,778 |
| Reduction in value of long-lived assets | 525 | — | 525 | — |
| Depreciation, amortization and accretion | 24,130 | 23,843 | 47,913 | 47,959 |
| Total operating expenses | 48,156 | 46,287 | 94,640 | 92,476 |
| Loss from operations | (11,356) | (16,008) | (25,068) | (35,268) |
| Other (expense) income: | | | | |
| Gain on extinguishment of debt | — | 2,664 | — | 2,664 |
| Interest income and expense, net of amounts capitalized | (7,187) | (10,778) | (16,717) | (22,352) |
| Derivative loss | (1,242) | (1,310) | (1,728) | (2,439) |
| Foreign currency (loss) gain | (7,123) | 4,425 | (3,891) | 110 |
| Other | 272 | (88) | 389 | (66) |
| Total other (expense) income | (15,280) | (5,087) | (21,947) | (22,083) |
| Loss before income taxes | (26,636) | (21,095) | (47,015) | (57,351) |
| Income tax expense | 121 | 354 | 204 | 431 |
| Net loss | $ (26,757) | $ (21,449) | $ (47,219) | $ (57,782) |
| Other comprehensive loss: | | | | |
| Foreign currency translation adjustments | 5,315 | (3,158) | 4,636 | 84 |
| Comprehensive loss | $ (21,442) | $ (24,607) | $ (42,583) | $ (57,698) |
| Net loss per common share: | | | | |
| Basic | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.03) |
| Diluted | (0.01) | (0.01) | (0.03) | (0.03) |
| Weighted-average shares outstanding: | | | | |
| Basic | 1,799,886 | 1,791,943 | 1,798,784 | 1,736,158 |
| Diluted | 1,799,886 | 1,791,943 | 1,798,784 | 1,736,158 |

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, 2022 | December 31, 2021 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 13,141 | $ 14,304 |
| Accounts receivable, net of allowance for credit losses of $2,986 and $2,962, respectively | 24,117 | 21,182 |
| Inventory | 15,887 | 13,829 |
| Prepaid expenses and other current assets | 16,586 | 19,558 |
| Total current assets | 69,731 | 68,873 |
| Property and equipment, net | 708,005 | 672,156 |
| Operating lease right of use assets, net | 29,964 | 32,041 |
| Prepaid satellite construction costs and related customer receivable | 94,164 | — |
| Intangible and other assets, net of accumulated amortization of $11,836 and $11,189, respectively | 42,287 | 41,036 |
| Total assets | $ 944,151 | $ 814,106 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 2,548 | $ 6,247 |
| Vendor financing | 73,575 | — |
| Accrued expenses | 23,574 | 28,947 |
| Payables to affiliates | 411 | 444 |
| Deferred revenue | 39,872 | 25,927 |
| Total current liabilities | 139,980 | 61,565 |
| Long-term debt | 257,451 | 237,932 |
| Operating lease liabilities | 27,134 | 29,237 |
| Deferred revenue, net | 182,376 | 112,054 |
| Other non-current liabilities | 7,877 | 7,887 |
| Total non-current liabilities | 474,838 | 387,110 |
| Commitments and 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, 2022 and December 31, 2021, respectively | — | — |
| Series A Preferred Convertible Stock of $0.0001 par value; one share authorized and none issued and outstanding at June 30, 2022 and December 31, 2021, respectively | — | — |
| Voting Common Stock of $0.0001 par value; 2,150,000,000 shares authorized; 1,800,477,322 and 1,796,528,871 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively | 180 | 180 |
| Nonvoting Common Stock of $0.0001 par value; no shares authorized and none issued and outstanding at June 30, 2022 and December 31, 2021, respectively | — | — |
| Additional paid-in capital | 2,153,195 | 2,146,710 |
| Accumulated other comprehensive income | 6,526 | 1,890 |
| Retained deficit | (1,830,568) | (1,783,349) |
| Total stockholders' equity | 329,333 | 365,431 |
| Total liabilities and stockholders' equity | $ 944,151 | $ 814,106 |

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 Income (Loss) | Retained Deficit | Total |
|---|---|---|---|---|---|---|
| Balances – January 1, 2022 | 1,796,529 | $ 180 | $ 2,146,710 | $ 1,890 | $ (1,783,349) | $ 365,431 |
| Net issuance of restricted stock awards and stock for employee stock options and recognition of stock-based compensation | 703 | — | 2,230 | — | — | 2,230 |
| Contribution of services | — | — | 47 | | | 47 |
| Recognition of stock-based compensation of employee stock purchase plan | — | — | 117 | — | — | 117 |
| Common stock issued in connection with conversion of 2013 8.00% Notes | 2,253 | — | 2,548 | — | — | 2,548 |
| Other comprehensive loss | — | — | — | (679) | — | (679) |
| Net loss | — | — | — | — | (20,462) | (20,462) |
| Balances – March 31, 2022 | 1,799,485 | $ 180 | $ 2,151,652 | $ 1,211 | $ (1,803,811) | $ 349,232 |
| Net issuance of restricted stock awards and stock for employee stock options and recognition of stock-based compensation | 546 | — | 879 | — | — | 879 |
| Contribution of services | — | — | 47 | — | — | 47 |
| Net issuance of stock through employee stock purchase plan and recognition of stock-based compensation | 446 | — | 617 | — | — | 617 |
| Other comprehensive income | — | — | — | 5,315 | — | 5,315 |
| Net loss | — | — | — | — | (26,757) | (26,757) |
| Balances – June 30, 2022 | 1,800,477 | $ 180 | $ 2,153,195 | $ 6,526 | $ (1,830,568) | $ 329,333 |

| | Common Shares | Common Stock Amount | Additional Paid-In Capital | Accumulated Other Comprehensive Income (Loss) | Retained Deficit | Total |
|---|---|---|---|---|---|---|
| Balances – January 1, 2021 | 1,674,669 | $ 167 | $ 2,096,566 | $ (2,944) | $ (1,670,724) | $ 423,065 |
| Net issuance of restricted stock awards and stock for employee stock options and recognition of stock-based compensation | 1,998 | — | 1,932 | — | — | 1,932 |
| Contribution of services | — | — | 47 | — | — | 47 |
| Recognition of stock-based compensation of employee stock purchase plan | — | — | 79 | — | — | 79 |
| Issuance of stock for warrant exercises | 115,036 | 12 | 43,666 | — | — | 43,678 |
| Other comprehensive income | — | — | — | 3,242 | — | 3,242 |
| Net loss | — | — | — | — | (36,333) | (36,333) |
| Balances – March 31, 2021 | 1,791,703 | $ 179 | $ 2,142,290 | $ 298 | $ (1,707,057) | $ 435,710 |
| Net issuance of restricted stock awards and stock for employee stock options and recognition of stock-based compensation | 173 | — | 576 | — | — | 576 |
| Contribution of services | — | — | 47 | — | — | 47 |
| Net issuance of stock through employee stock purchase plan and recognition of stock-based compensation | 1,187 | — | 406 | — | — | 406 |
| Other comprehensive loss | — | — | — | (3,158) | — | (3,158) |
| Net loss | — | — | — | — | (21,449) | (21,449) |
| Balances – June 30, 2021 | 1,793,063 | $ 179 | $ 2,143,319 | $ (2,860) | $ (1,728,506) | $ 412,132 |

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, 2022 | June 30, 2021 |
| Cash flows provided by operating activities: | | |
| Net loss | $ (47,219) | $ (57,782) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 47,913 | 47,959 |
| Change in fair value of derivatives | 1,728 | 2,439 |
| Stock-based compensation expense | 2,380 | 2,186 |
| Amortization of deferred financing costs | 287 | 1,841 |
| Reduction in value of long-lived assets and inventory | 541 | 782 |
| Provision for credit losses | 558 | 696 |
| Noncash interest and accretion expense | 16,235 | 16,939 |
| Gain on extinguishment of debt | — | (2,664) |
| Unrealized foreign currency loss (gain) | 4,139 | (245) |
| Noncash reversal of tariff accrual | — | (912) |
| Other, net | (2,710) | (430) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 3,737 | (7,750) |
| Inventory | (1,840) | 1,118 |
| Prepaid expenses and other current assets | (227) | (665) |
| Other assets | 605 | (2,770) |
| Accounts payable and accrued expenses | (8,106) | 4,416 |
| Payables to affiliates | (33) | (162) |
| Other non-current liabilities | (370) | (87) |
| Deferred revenue | 3,153 | 51,011 |
| Net cash provided by operating activities | 20,771 | 55,920 |
| Cash flows used in investing activities: | | |
| Network upgrades (including capitalized interest) | (18,511) | (8,832) |
| Property and equipment additions | (3,198) | (2,288) |
| Sale of property and equipment | — | 350 |
| Purchase of intangible assets | (683) | (1,228) |
| Net cash used in investing activities | (22,392) | (11,998) |
| Cash flows provided by (used in) financing activities: | | |
| Principal payments of the 2009 Facility Agreement | — | (89,164) |
| Proceeds from exercise of warrants | — | 43,678 |
| Payments for debt and equity issuance costs | — | (133) |
| Proceeds from issuance of common stock and exercise of options | 449 | 391 |
| Net cash provided by (used in) financing activities | 449 | (45,228) |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 9 | (9) |
| Net decrease in cash, cash equivalents and restricted cash | (1,163) | (1,315) |
| Cash, cash equivalents and restricted cash, beginning of period | 14,304 | 68,023 |
| Cash, cash equivalents and restricted cash, end of period | $ 13,141 | $ 66,708 |

| | As of: | |
|---|---|---|
| | June 30, 2022 | December 31, 2021 |
| Reconciliation of cash and cash equivalents | | |
| Cash and cash equivalents | $ 13,141 | $ 14,304 |
| Total cash and cash equivalents cash shown in the statement of cash flows | $ 13,141 | $ 14,304 |

| | Six Months Ended | |
|---|---|---|
| | June 30, 2022 | June 30, 2021 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | $ — | $ 3,977 |
| | | |
| Supplemental disclosure of non-cash financing and investing activities: | | |
| Increase in capitalized accrued interest for network upgrades | $ 5,059 | $ 1,041 |
| Capitalized accretion of debt discount and amortization of prepaid financing costs | 754 | 251 |
| Satellite construction assets acquired through vendor financing arrangement | 73,575 | — |
| Forgiveness of principal and interest of Paycheck Protection Program loan | — | 5,030 |

See accompanying notes to unaudited interim condensed consolidated financial statements.

GLOBALSTAR, INC.

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. The Company's only reportable segment is its MSS business. 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 included 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, 2021, as filed with the SEC on February 25, 2022 (the "2021 Annual Report").

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.

These unaudited interim condensed consolidated financial statements include the accounts of Globalstar and all its subsidiaries. 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, 2022 are not necessarily indicative of the results that may be expected for the full year or any future period.

## 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, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Service revenue: | | | | |
| Duplex | $ 6,936 | $ 7,243 | $ 13,082 | $ 13,898 |
| SPOT | 11,536 | 11,139 | 22,791 | 22,123 |
| Commercial IoT | 5,038 | 4,504 | 9,708 | 8,985 |
| Engineering and other | 9,538 | 2,731 | 16,811 | 3,697 |
| Total service revenue | 33,048 | 25,617 | 62,392 | 48,703 |
| Subscriber equipment sales: | | | | |
| Duplex | $ 143 | $ 331 | $ 273 | $ 624 |
| SPOT | 1,674 | 2,230 | 3,149 | 4,145 |
| Commercial IoT | 1,908 | 2,090 | 3,714 | 3,611 |
| Other | 27 | 11 | 44 | 125 |
| Total subscriber equipment sales | 3,752 | 4,662 | 7,180 | 8,505 |
| Total revenue | $ 36,800 | $ 30,279 | $ 69,572 | $ 57,208 |

The Company is reimbursed by the customer under the Terms Agreement for certain costs incurred by the Company as it completes its performance obligations under the contract. During the three and six months ended June 30, 2022, the Company recognized revenue associated with these services of $8.8 million and $15.7 million, respectively. During the three and six months ended June 30, 2021, the Company recognized revenue associated with other performance obligations associated with the Terms Agreement of $2.2 million and $2.7 million, respectively; this revenue is included in Engineering and other service revenue in the table above.

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, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Service revenue: | | | | |
| United States | $ 24,875 | $ 18,228 | $ 47,163 | $ 34,671 |
| Canada | 4,128 | 4,376 | 7,817 | 8,206 |
| Europe | 1,671 | 1,857 | 3,154 | 3,568 |
| Central and South America | 2,248 | 815 | 3,984 | 1,596 |
| Others | 126 | 341 | 274 | 662 |
| Total service revenue | 33,048 | 25,617 | 62,392 | 48,703 |
| Subscriber equipment sales: | | | | |
| United States | $ 2,227 | $ 2,438 | $ 3,783 | $ 4,610 |
| Canada | 879 | 1,118 | 1,677 | 1,867 |
| Europe | 309 | 527 | 945 | 1,006 |
| Central and South America | 328 | 571 | 757 | 992 |
| Others | 9 | 8 | 18 | 30 |
| Total subscriber equipment sales | 3,752 | 4,662 | 7,180 | 8,505 |
| Total revenue | $ 36,800 | $ 30,279 | $ 69,572 | $ 57,208 |

**Accounts Receivable**

The Company has agreements whereby it acts as an agent to procure goods and perform services on behalf of the customer under the Terms Agreement. As of June 30, 2022 and December 31, 2021, the Company recorded $3.3 million and $6.5 million, respectively, in accounts receivable related to these arrangements.

In connection with the Company's performance under the Terms Agreement, the Company recorded receivables totaling $83.4 million, which represents amounts owed by the customer for the Company's completion of performance obligations under the contract. As of June 30, 2022, $8.6 million and $74.8 million were recorded as current and non-current receivables, respectively, in line with the expected service periods under the Terms Agreement.

**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 from whom it has previously received consideration. The amount of revenue recognized during the six months ended June 30, 2022 and 2021 from performance obligations included in the contract liability balance at the beginning of these periods was $18.3 million and $18.8 million, respectively.

The duration of the Company’s contracts with subscribers is generally one year or less. As of June 30, 2022, the Company expects to recognize $39.9 million, or approximately 18%, of its remaining performance obligations during the next twelve months.

Contract liabilities also include deferred revenue associated with the Terms Agreement. The Company recorded deferred revenue for advance payments received from the customer for services expected to be performed in the future, totaling $75.0 million as of June 30, 2022. The Company also records deferred revenue for the reimbursement (and anticipated reimbursement) of costs incurred in connection with ongoing network upgrades, construction costs under the satellite procurement agreement and other performance obligations under the Terms Agreement, totaling $124.8 million as of June 30, 2022. In accordance with applicable accounting guidance, the Company records imputed interest associated with the significant financing component, totaling $3.9 million as of June 30, 2022, which is related to and included in the balances associated with certain of the items recorded to deferred revenue discussed above. Deferred revenue is classified as either short-term or long-term consistent with the expected timing of the Company's obligation to provide services to the customer or the recoupment period defined in the Terms Agreement. As of June 30, 2022, the Company has recorded $15.9 million and $180.7 million as short-term and long-term deferred revenue, respectively. The total amount of deferred revenue associated with this customer is also reflected net of a contract asset of $3.1 million in the Company's condensed consolidated balance sheet as of June 30, 2022.

## 3. LEASES

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

| | As of: June 30, 2022 | As of: December 31, 2021 |
|---|---|---|
| Operating leases: | | |
| Right-of-use asset, net | $ 29,964 | $ 32,041 |
| | | |
| Short-term lease liability (recorded in accrued expenses) | 2,442 | 2,501 |
| Long-term lease liability | 27,134 | 29,237 |
| Total operating lease liabilities | $ 29,576 | $ 31,738 |
| | | |
| Finance leases: | | |
| Right-of-use asset, net (recorded in intangible and other current assets, net) | $ 5 | $ 8 |
| | | |
| Short-term lease liability (recorded in accrued expenses) | 4 | 6 |
| Long-term lease liability (recorded in non-current liabilities) | 2 | 3 |
| Total finance lease liabilities | $ 6 | $ 9 |

### Lease Cost

The components of lease cost are reflected in the table below (amounts in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Operating lease cost: | | | | |
| Amortization of right-of-use assets | $ 604 | $ 663 | $ 1,324 | $ 1,154 |
| Interest on lease liabilities | 632 | 393 | 1,277 | 711 |
| Capitalized lease cost | (244) | — | (487) | — |
| Finance lease cost: | | | | |
| Amortization of right-of-use assets | 1 | 1 | 3 | 8 |
| Short-term lease cost | 144 | 41 | 208 | 79 |
| Total lease cost | $ 1,137 | $ 1,098 | $ 2,325 | $ 1,952 |

Interest on finance lease liabilities was less than $0.1 million for the three and six months ended June 30, 2022 and 2021; accordingly, these amounts are not shown in the table above.

**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, 2022 | As of: December 31, 2021 |
|---|---|---|
| Weighted-average lease term | | |
| Finance leases | 1.2 years | 1.6 years |
| Operating Leases | 10.2 years | 10.6 years |
| Weighted-average discount rate | | |
| Finance leases | 7.6 % | 7.0 % |
| Operating leases | 8.4 % | 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, 2022 | June 30, 2021 |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows for operating leases | $ 2,536 | $ 2,080 |

Operating and financing cash flows from finance leases were each less than $0.1 million for each of the six months ended June 30, 2022 and 2021; accordingly, these cash flows are not shown in the table above.

**Maturity Analysis**

The following table reflects undiscounted cash flows on an annual basis for the Company's lease liabilities as of June 30, 2022 (amounts in thousands):

| | Operating Leases | Finance Leases |
|---|---|---|
| 2022 (remaining) | $ 2,421 | $ 3 |
| 2023 | 4,876 | 3 |
| 2024 | 4,749 | — |
| 2025 | 4,778 | — |
| 2026 | 4,825 | — |
| Thereafter | 22,322 | — |
| Total lease payments | $ 43,971 | $ 6 |
| Imputed interest | (14,395) | — |
| Discounted lease liability | $ 29,576 | $ 6 |

As of June 30, 2022, the Company executed additional operating leases for new gateway locations. These leases have not yet commenced as of June 30, 2022 since the lessors are continuing to ready the sites for use. Accordingly, these leases are not included on the balance sheet as of June 30, 2022, or in the maturity table above. The Company is in the process of evaluating these lease obligations and expects the impact of these leases to be an increase of lease liabilities of approximately $4.7 million.

## 4. PROPERTY AND EQUIPMENT

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

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Globalstar System: | | |
| Space component | | |
| First and second-generation satellites in service | $ 1,261,793 | $ 1,195,509 |
| Second-generation satellite, on-ground spare | — | 32,442 |
| Ground component | 293,465 | 282,268 |
| Construction in progress: | | |
| Space component | 57,542 | 16,394 |
| Ground component | 25,756 | 33,998 |
| Other | 7,429 | 4,123 |
| Total Globalstar System | 1,645,985 | 1,564,734 |
| Internally developed and purchased software | 22,000 | 20,823 |
| Equipment | 8,691 | 8,590 |
| Land and buildings | 1,694 | 1,149 |
| Leasehold improvements | 2,081 | 2,088 |
| Total property and equipment | 1,680,451 | 1,597,384 |
| Accumulated depreciation | (972,446) | (925,228) |
| Total property and equipment, net | $ 708,005 | $ 672,156 |

Amounts included in "second-generation satellite, on-ground spare" in the table above consist of costs related to one of the Company's second-generation satellites that was stored as an on-ground spare satellite until its launch in June 2022. The costs to prepare this satellite for launch were included in "construction in progress - space component" in the table above prior to its launch in June 2022. During the second quarter of 2022, $65.1 million in costs associated with the construction and launch of this spare satellite (including capitalized interest) were placed into service. Since this satellite is expected to remain as an in-orbit spare and will only be raised to its operational orbit at a future date if needed, it was placed into service following its successful launch. The customer under the Terms Agreement has reimbursed 85% of the costs incurred to prepare and launch this satellite. These reimbursements are recorded in deferred revenue on the Company's consolidated balance sheet as of June 30, 2022 and are expected to be recognized in service revenue as performance obligations are completed in accordance with the Terms Agreement. See Note 2: Revenue for further discussion.

In February 2022, the Company entered into an agreement for the purchase of new satellites that will replenish the Company's existing satellite constellation. As of June 30, 2022, the Company recorded $19.4 million as prepaid satellite construction costs and $54.2 million in construction in progress on its balance sheet reflecting the milestone work completed under this agreement. The customer under the Terms Agreement will reimburse 95% of these capital expenditures. In accordance with the expected timing of reimbursement, $4.4 million is recorded in Accounts receivable and $74.8 million is recorded as a non-current receivable in Prepaid satellite construction costs and related customer receivable. The satellite construction assets acquired through this vendor financing arrangement are included in the supplemental section of the Company's condensed consolidated statement of cash flows as non-cash financing and investing activities. See further discussion in Note 2: Revenue, Note 5: Long-Term Debt and Other Financing Arrangements and Note 8: Commitments and Contingencies.

The ground component of construction in progress includes costs incurred for assets to upgrade the Company's ground infrastructure, including costs associated with the procurement of new gateway antennas. During 2022, the Company placed $11.2 million of costs into service associated with these antennas (including capitalized interest), which are included in ground component in the table above. These capital expenditures relate primarily to gateway upgrade work in connection with the Terms Agreement.

## 5. LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

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

| | June 30, 2022 | | | December 31, 2021 | | |
|---|---|---|---|---|---|---|
| | Principal Amount | Unamortized Discount and Deferred Financing Costs | Carrying Value | Principal Amount | Unamortized Discount and Deferred Financing Costs | Carrying Value |
| 2019 Facility Agreement | 282,023 | 24,572 | 257,451 | 263,812 | 27,287 | 236,525 |
| 8.00% Convertible Senior Notes Issued in 2013 | — | — | — | 1,407 | — | 1,407 |
| Total Debt | 282,023 | 24,572 | 257,451 | 265,219 | 27,287 | 237,932 |

The principal amounts shown above include payment of in-kind interest. The carrying value is net of deferred financing costs and any discounts to the loan amounts at issuance, including accretion. Excluded from the table are obligations related to a vendor financing arrangement discussed below.

***2019 Facility Agreement***

In November 2019, the Company entered into a $199.0 million facility agreement with Thermo, an affiliate of EchoStar Corporation and certain other unaffiliated lenders (the "2019 Facility Agreement"). The 2019 Facility Agreement is scheduled to mature in November 2025. The loans under the 2019 Facility Agreement bear interest at a blended rate of 13.5% per annum to be paid in kind (or in cash at the option of the Company). As of June 30, 2022, the Company was in compliance with the covenants of the 2019 Facility Agreement, except as it relates to capital expenditures. In August 2022, the Company received a waiver letter from its lenders increasing permitted capital expenditures for 2022.

The 2019 Facility Agreement requires mandatory prepayments of principal with any Excess Cash Flow (as defined and calculated in the 2019 Facility Agreement) on a semi-annual basis. The Company generated excess cash flow for the six-month measurement period ended June 30, 2022 and expects to make a prepayment of approximately $6.0 million in August 2022.

Refer to Note 6: Derivatives and Note 7: Fair Value Measurements for further discussion on the compound embedded derivative bifurcated from the 2019 Facility Agreement.

***8.00% Convertible Senior Notes Issued in 2013***

In May 2013, the Company issued $54.6 million aggregate principal amount of its 2013 8.00% Notes Interest was paid in cash at a rate of 5.75% and in additional notes at a rate of 2.25%. In February 2022, the Company notified the holders of the 8.00% Notes of its intention to redeem all of the outstanding amount of principal and interest in March 2022. Prior to the Company's intended redemption of the 8.00% Notes, the holders converted the remaining principal amount outstanding of $1.4 million into 2.3 million shares of Globalstar common stock in February and March 2022. The 2013 8.00% Notes were converted into shares of common stock at a conversion price of $0.69 per share of common stock.

As a result of the conversions during the first quarter of 2022, the Company recorded gains and losses on extinguishment of debt resulting from the difference between the fair value of shares of Globalstar common stock issued to the holders and the principal amount of the notes that converted as well as the write-offs of the embedded derivative associated with the 2013 8.00% Notes. The net impact to the Company's condensed consolidated statement of operations for the first quarter of 2022 was a gain of less than $0.1 million.

Refer to Note 6: Derivatives and Note 7: Fair Value Measurements for further discussion on the compound embedded derivative bifurcated from the 2013 8.00% Notes.

***Vendor Financing***

In February 2022, the Company entered into a satellite procurement agreement (see Note 8: Commitments and Contingencies for further discussion). This agreement provides for payment deferrals of milestone payments through August 2022 at a 0% interest rate. As of June 30, 2022, the Company had recorded $73.6 million in short-term vendor financing on its condensed consolidated balance sheet associated with this agreement. Deferred payments are due in August 2022 under the terms of the agreement. The Company intends to seek an extension of the maturity date while it pursues debt financing for the funding of the construction and launch costs for these satellites.

***2009 Facility Agreement***

In 2009, the Company entered into a facility agreement with a syndicate of bank lenders, including BNP Paribas, Société Générale, Natixis, Crédit Agricole Corporate and Investment Bank and Crédit Industriel et Commercial, as arrangers, and BNP Paribas, as the security agent (the "2009 Facility Agreement"). The 2009 Facility Agreement was fully repaid in November 2021. As a result of prepayments made under the 2009 Facility Agreement during the second quarter of 2021, the Company wrote off $2.3 million in deferred financing costs, which represents the portion of debt prepaid by the Company in the second quarter of 2021, and which was recorded as a loss on extinguishment of debt on its condensed consolidated statements of operations.

***Paycheck Protection Program Loan***

In April 2020, the Company sought relief under the CARES Act and received a $5.0 million loan under the Paycheck Protection Program ("PPP"), (the "PPP Loan"). In June 2021, the Small Business Administration ("SBA") approved the Company's request for forgiveness of all amounts outstanding under the PPP Loan, including accrued interest. The Company evaluated the applicable accounting guidance relative to the PPP Loan and accounted for the proceeds of the PPP Loan as debt under ASC 470. As the entire principal balance, including accrued interest, was forgiven in June 2021, the Company recorded a gain on extinguishment of debt totaling $5.0 million on its condensed consolidated statements of operations for the period ended June 30, 2021.

### 6. DERIVATIVES

The Company has identified various embedded derivatives resulting from certain features in the Company's existing borrowing arrangements, requiring recognition 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, 2022 | December 31, 2021 |
|---|---|---|
| Derivative (liabilities) assets: | | |
| Compound embedded derivative with the 2019 Facility Agreement | $ (1,460) | $ 484 |
| Compound embedded derivative with the 2013 8.00% Notes | $ — | (1,364) |

As of June 30, 2022 and December 31, 2021, the derivative (liability) asset recorded for the Compound embedded derivative with the 2019 Facility Agreement was reflected in Other non-current liabilities and Intangible and other assets, net, respectively, on the Company's condensed consolidated balance sheets. During the first quarter of 2022, the remaining principal amount of the 2013 8.00% Notes was converted into shares of Globalstar common stock; accordingly, the associated derivative is no longer outstanding.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Compound embedded derivative with the 2013 8.00% Notes | $ — | $ (1,077) | $ 216 | $ (2,821) |
| Compound embedded derivative with the 2019 Facility Agreement | (1,242) | (233) | (1,944) | 382 |
| Total derivative loss | $ (1,242) | $ (1,310) | $ (1,728) | $ (2,439) |

The fair value of each embedded derivative 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 classifies its derivatives consistent with the classification of the underlying debt on the Company's condensed consolidated balance sheet. See Note 7: Fair Value Measurements for further discussion.

### 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).

The Company's derivatives are classified as Level 3. The Company marks-to-market its derivatives 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. During the first quarter of 2022, the remaining principal amount of the 2013 8.00% Notes was converted into shares of Globalstar common stock; accordingly, the associated derivative is no longer outstanding See Note 5: Long-Term Debt and Other Financing Arrangements and Note 6: Derivatives for further discussion.

***Recurring Fair Value Measurements***

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

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total Balance |
| Liabilities: | | | | |
| Compound embedded derivative with the 2019 Facility Agreement | $ — | $ — | $ (1,460) | $ (1,460) |
| Total liabilities measured at fair value | $ — | $ — | $ (1,460) | $ (1,460) |

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total Balance |
| Assets: | | | | |
| Compound embedded derivative with the 2019 Facility Agreement | $ — | $ — | $ 484 | $ 484 |
| Total assets measured at fair value | $ — | $ — | $ 484 | $ 484 |
| Liabilities: | | | | |
| Compound embedded derivative with the 2013 8.00% Notes | $ — | $ — | $ (1,364) | $ (1,364) |
| Total liabilities measured at fair value | $ — | $ — | $ (1,364) | $ (1,364) |

*2013 8.00% Notes*

The significant quantitative Level 3 inputs utilized in the valuation model are shown in the table below:

| | December 31, 2021 | | | | |
|---|---|---|---|---|---|
| | 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 | 120% - 139% | 0.5 % | $0.69 | 18 % | $1.16 |

Fluctuation in the Company's stock price and stock price volatility were significant drivers of the change in the compound embedded derivative with the 2013 8.00% Notes. Increases in these inputs resulted in a higher fair value measurement.

*2019 Facility Agreement*

The compound embedded derivative with the 2019 Facility Agreement is valued using a probability weighted discounted cash flow model. The most significant observable input used in the fair value measurement is the discount yield, which was 20% and 13% at June 30, 2022 and December 31, 2021, respectively. When the discount yield utilized in the valuation is higher than the blended interest rate of the underlying debt, the features embedded in the underlying debt result in a liability for the Company. Conversely, when the discount yield is lower than the blended interest rate of the underlying debt, the features embedded in the underlying debt result in an asset for the Company. The unobservable inputs used in the fair value measurement include the probability of change of control and the estimated timing and amounts of cash flows associated with certain mandatory prepayments within the debt agreement.

*Rollforward of Recurring Level 3 Assets and Liabilities*

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

| | | |
|---|---|---|
| Balance at beginning of period, January 1, 2022 and 2021, respectively | $ (880) | $ 163 |
| Derivative adjustment related to conversions | 1,148 | — |
| Unrealized loss, included in derivative loss | (1,728) | (1,043) |
| Balance at end of period, June 30, 2022 and December 31, 2021, respectively | $ (1,460) | $ (880) |

***Fair Value of Debt Instruments***

The Company believes it is not practicable to determine the fair value of the 2019 Facility Agreement without incurring significant additional costs. Unlike typical long-term debt, certain terms for this instrument are not readily available and generally involve a variety of factors, including due diligence by the debt holders. As previously disclosed, the remaining principal amount of the 2013 8.00% Notes was converted into shares of Globalstar common stock during the first quarter of 2022; accordingly, there is no value in the table below as of June 30, 2022. The following table sets forth the carrying value and estimated fair value of the Company's Level 3 financial instrument (in thousands):

| | June 30, 2022 | | December 31, 2021 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| 2013 8.00% Notes | $ — | $ — | $ 1,407 | $ 1,265 |

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

***Nonrecurring Fair Value Measurements***

The Company follows the authoritative guidance regarding non-financial assets and non-financial liabilities that are remeasured at fair value on a nonrecurring basis.

*Derivative Liabilities*

On February 17, 2022 and March 9, 2022, the remaining principal balance of the 2013 8.00% Notes was converted into shares of Globalstar common stock, eliminating the principal balance outstanding. See further discussion in Note 5: Long-Term Debt and Other Financing Arrangements. As a result of the conversion, the Company wrote off the proportionate fair value of the compound embedded derivative liability with the 2013 8.00% Notes based on the value of the derivative on each conversion date. As of each conversion date, the fair value of the compound embedded derivative liability with the 2013 8.00% Notes was $0.8 million. The significant quantitative Level 3 inputs utilized in the valuation models as of the conversion date are shown in the table below:

| | February 17, 2022 | | | |
|---|---|---|---|---|
| | Risk-Free Interest Rate | Note Conversion Price | Discount Rate | Market Price of Common Stock |
| Compound embedded derivative with the 2013 8.00% Notes | 0.06 % | $0.69 | 18 % | $1.00 |

| | March 9, 2022 | | | |
|---|---|---|---|---|
| | Risk-Free Interest Rate | Note Conversion Price | Discount Rate | Market Price of Common Stock |
| Compound embedded derivative with the 2013 8.00% Notes | 0.18 % | $0.69 | 19 % | $1.21 |

*Intangible and Other Assets, net*

Intangible and other assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable.

During the second quarter of 2022, the Company wrote off approximately $0.5 million of work in progress associated with its spectrum intangible assets. The work in progress was related to efforts to obtain spectrum licensing authority in certain countries around the world; during the second quarter of 2022, the Company determined that it would not continue pursing such authorities in these countries and recorded a reduction in the value of long-lived assets in its condensed consolidated statements of operations for the six months ended June 30, 2022.

## 8. COMMITMENTS AND CONTINGENCIES

***Terms Agreement***

The Terms Agreement sets forth the primary terms for the Company to provide services to the customer and incur costs related primarily to new gateways and upgrades at existing gateways as well as satellite construction and launch costs. Under this agreement, the customer has made advance payments to the Company for services expected to be delivered under the Terms Agreement. To the extent the Company does not provide such services, it will be required to refund the amounts to the customer. The Terms Agreement also provides for various commitments with which the Company must comply to the extent that services under the agreement continue.

Refer to Note 2: Revenue, Note 3: Leases and Note 4: Property and Equipment for further discussion.

***Satellite Procurement Agreement***

In February 2022, the Company entered into a satellite procurement agreement with Macdonald, Dettwiler and Associates Corporation ("MDA") pursuant to which Globalstar will acquire 17 satellites that will replenish Globalstar's existing constellation of satellites and ensure long-term continuity of its mobile satellite services. Globalstar is acquiring the satellites to provide continuous satellite services to the potential customer under the Terms Agreement, as well as services to Globalstar’s current and future customers. Globalstar maintains the option to acquire additional satellites under the contract. Globalstar plans to contract separately for launch services and launch insurance for the new satellites. The total contract price for the initial 17 satellites is $327.0 million; Globalstar has the option to purchase additional satellites at a lower per unit cost, subject to certain conditions. The satellites are expected to be manufactured during the next three years. Under the Terms Agreement, subject to certain conditions, the counterparty is required to reimburse 95% of the capital expenditures and certain other costs incurred for this contract.

The current terms of the agreement with MDA provide for the deferral of milestone payments through August 2022. As of June 30, 2022, the total amount of deferred payments is approximately $74.0 million. The Company intends to seek an extension of the maturity date while it pursues a broader financing. This financing is expected to provide sufficient proceeds for the construction and launch of the satellites.

**9. RELATED PARTY TRANSACTIONS**

Payables to Thermo and other affiliates related to normal purchase transactions were $0.4 million and $0.4 million as of June 30, 2022 and December 31, 2021, respectively.

***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 that 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 Company has a lease agreement with Thermo Covington, LLC for the Company's headquarters office. Annual lease payments started at $1.4 million per year in 2019 and increase at a rate of 2.5% per year, for a lease term of ten years. During each of the six months ended June 30, 2022 and 2021, the Company incurred lease expense of $0.8 million under this lease agreement.

In November 2019, the Company entered into the 2019 Facility Agreement. Thermo's participation in the 2019 Facility Agreement was $95.1 million. This principal balance earns paid-in-kind interest at a rate of 13% per annum. Interest accrued since inception with respect to Thermo's portion of the debt outstanding on the 2019 Facility Agreement was approximately $38.0 million, of which $8.3 million was accrued during the six months ended June 30, 2022.

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

**10. LOSS PER SHARE**

Loss per share is computed by dividing loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period. In periods of net income, the numerator used to calculate diluted EPS includes the effect of dilutive securities, including interest expense, net, and derivative gains or losses reflected in net income. Common stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. When outstanding, the effect of potentially dilutive common shares for the Company's convertible notes is calculated using the if-converted method. Generally, for all other potentially dilutive common shares, the effect is calculated using the treasury stock method.

The following table sets forth the computation of basic and diluted loss per common share during each of the six months ended June 30, 2022 and 2021 (amounts in thousands, except per share data):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| Net loss | $ (26,757) | $ (21,449) | $ (47,219) | $ (57,782) |
| Weighted average shares outstanding | 1,799,886 | 1,791,943 | 1,798,784 | 1,736,158 |
| Net loss per common share - basic and diluted | $ (0.01) | $ (0.01) | $ (0.03) | $ (0.03) |

For the three months ended June 30, 2022 and 2021, 7.8 million and 7.3 million shares, respectively, of potential common stock were excluded from diluted shares outstanding because the effects of potentially dilutive securities would be anti-dilutive. For the six months June 30, 2022 and 2021, 7.6 million and 7.1 million shares, respectively, of potential common stock were excluded from diluted shares outstanding because the effects of potentially dilutive securities would be anti-dilutive.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

Certain statements contained in or incorporated by reference into this Quarterly Report on Form 10-Q (this "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, business interruptions due to natural disasters, unexpected events or public health crises, including viral pandemics such as the COVID-19 coronavirus, 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, 2021, as filed with the Securities and Exchange Commission (the "SEC") on February 25, 2022 (the "2021 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 2021 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 Internet of Things ("IoT") data transmissions in a variety of applications, we 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 meet our customers' increasing desire for connectivity.

We currently provide the following communications services:

- two-way voice communication and data transmissions via our GSP-1600 and GSP-1700 phone ("Duplex");
- one-way or two-way communication and data transmissions using mobile devices, including our SPOT family of products, such as SPOT X®, SPOT Gen4™ and SPOT Trace®, that transmit messages and the location of the device ("SPOT");
- 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 ST100 ("Commercial IoT"); and
- engineering services to assist certain customers (including our customer under the Terms Agreement (discussed in Note 8: Commitments and Contingencies to our Condensed Consolidated Financial Statements)) in developing new applications to operate on our network, making enhancements to our ground network, and providing other communication services using our MSS and terrestrial spectrum licenses ("Engineering and Other").

Our constellation of Low Earth Orbit ("LEO") satellites includes second-generation satellites and certain first-generation satellites. We designed our satellite network to maximize the probability that at least one satellite is visible from any point on the Earth's surface between the latitudes 70° north and 70° south. 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.

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 believe that our system outperforms geostationary ("GEO") satellites used by some of our competitors. GEO satellite signals must travel approximately 42,000 additional miles on average, which introduces considerable delay and signal degradation to GEO calls.

In February 2022, we entered into a satellite procurement agreement (the "Procurement Agreement") with Macdonald, Dettwiler and Associates Corporation (the "Vendor") pursuant to which we will acquire 17 satellites that will replenish our existing constellation and ensure long-term continuity of our mobile satellite services. We are acquiring the satellites to provide continuous satellite services to the potential customer under the Terms Agreement (defined below), as well as services to our current and future customers. We have committed to purchase these new satellites for a total contract price of $327.0 million and have the option to purchase additional satellites at a lower per unit cost, subject to certain conditions. The technical specifications and design of these new satellites are similar to our current second-generation satellites. Rocket Lab USA, Inc. is the Vendor's satellite bus subcontractor under the Procurement Agreement. The agreement requires the Vendor to deliver the initial 17 new satellites by 2025, all of which are expected to be launched by the end of 2025. Under the Terms Agreement, the counterparty is required to reimburse 95% of the capital expenditures and certain other costs incurred for the new satellites.

In June 2022, we successfully launched our on-ground spare second-generation satellite. This satellite is expected to remain as an in-orbit spare and will only be raised to its operational orbit at a future date if needed.

Our ground network includes our ground equipment, which uses patented CDMA technology to permit communication to multiple satellites. Our system architecture provides full frequency re-use. This maximizes satellite diversity (which maximizes quality) and network capacity as we can reuse the assigned spectrum in every satellite beam in every satellite. In addition, we have developed a proprietary technology for our SPOT and Commercial IoT services.

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 will expand our satellite communications business and more effectively utilize the capacity of our network assets. These initiatives include evaluating our product and service offerings in light of the shift in demand across the MSS industry from full Duplex voice and data services to IoT-enabled devices. To align our business model with this evolution, we have temporarily ceased sales of and services to subscribers for certain Duplex devices, such as Sat-Fi2®. We are currently evaluating opportunities for these devices relative to other product and service offerings as well as the capacity required to support these devices relative to other possible uses for the capacity. Integrated with this assessment is the development of a two-way reference design module to expand our Commercial IoT offerings, which is among our other current initiatives.

Our Commercial IoT use cases continue to expand. In June 2022, we introduced the Realm Enablement Suite, an innovative portfolio of satellite asset tracking hardware and software solutions featuring a powerful application enablement platform for processing smart data at the edge. With Realm, partners can accelerate new solutions to market with smart applications that generate an advanced level of telematics data. Realm Enablement Suite introduces Integrity 150, the first solar-powered, deployment-ready satellite asset tracking device with an application enablement platform; ST150M satellite modem module that drastically simplifies product development; and Realm application enablement platform, offering tools and an extensive library for quickly accessing and developing smart applications at the edge for vertical-specific solutions. We also continue to expand deployments that support environmentally friendly initiatives. Recent deployments include remote monitoring of fluid levels and tanks, which replaces the need for motor vehicles to access these assets, as well as asset monitoring solutions for solar lighting and other renewable energy sources.

*Customers*

The specialized needs of our global customers span many industries. As of June 30, 2022, we had approximately 762,000 subscribers worldwide, principally within 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; animal tracking and transportation. In response to Russia's invasion of Ukraine, during the first quarter of 2022, we disconnected satellite services to gateways in Russia that were operated by an independent gateway operator. Accordingly, approximately 25,000 subscribers that previously received satellite services through these gateways were removed from our subscriber count. Our system is able to offer our customers cost-effective communications solutions completely independent of cellular coverage. Although traditional users of wireless telephony and broadband data services have access to these services in developed locations, our customers often operate, travel or live in remote regions or regions with under-developed telecommunications infrastructure where these services are not readily available or are not provided on a reliable basis.

**Spectrum and Regulatory Structure**

We benefit from a worldwide 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.

*Terrestrial Authority for Globalstar's Licensed 2.4GHz Spectrum*

In August 2017, the FCC modified our MSS licenses, granting us authority to provide terrestrial broadband services over the 11.5 MHz portion of our licensed MSS spectrum. Specifically, the FCC modified our space station authorization and our blanket mobile earth station license to permit a terrestrial network using 11.5 MHz of our licensed mobile-satellite service spectrum.

In December 2018, we successfully completed the Third Generation Partnership Project (“3GPP”) standardization process for the 11.5 MHz of our licensed MSS spectrum terrestrially authorized by the FCC. The 3GPP designated the band as Band 53. Additionally, in March 2020, we announced that the 3GPP approved the 5G variant of our Band 53, which is known as n53. 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. During 2019, we executed a spectrum manager lease agreement with Nokia in order to permit Nokia to utilize Band 53 within its equipment domestically and have such equipment type-certified for sale and deployment.

In February 2021, Qualcomm Technologies announced its new Snapdragon X65 modem-RF System, which includes support for Band n53. By having global 5G band support for n53 in Qualcomm Technologies’ 5G solutions, our potential device ecosystem expands significantly to include the most popular smartphones, laptops, tablets, automated equipment and other IoT modules.

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 additional terrestrial authorizations in various countries, including Brazil, Canada, and South Africa, among others. 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 and 5G protocols for private networks as well as 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 distinguishes it from other current and anticipated allocations, and that it is well positioned to balance favorable range, capacity and attenuation characteristics.

**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 subscriber-driven revenue, including Duplex, SPOT and Commercial IoT;
- 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, 2022 and 2021**

**Revenue**

Our revenue is categorized as service revenue and equipment revenue. We provide services to customers using technology from our satellite and ground network. Equipment revenue is generated from the sale of devices that work over our network. For the three months ended June 30, 2022, total revenue increased 21% to $36.8 million from $30.3 million for the same period in 2021. For the six months ended June 30, 2022, total revenue increased 22% to $69.6 million from $57.2 million for the same period in 2021. See below for a further discussion of the fluctuations in revenue.

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

| | Three Months Ended June 30, 2022 | | Three Months Ended June 30, 2021 | | Six Months Ended June 30, 2022 | | Six Months Ended June 30, 2021 | |
|---|---|---|---|---|---|---|---|---|
| | Revenue | % of Total Revenue | Revenue | % of Total Revenue | Revenue | % of Total Revenue | Revenue | % of Total Revenue |
| **Service Revenue:** | | | | | | | | |
| Duplex | $ 6,936 | 19 % | $ 7,243 | 24 % | $ 13,082 | 19 % | $ 13,898 | 24 % |
| SPOT | 11,536 | 31 | 11,139 | 37 | 22,791 | 33 | 22,123 | 39 |
| Commercial IoT | 5,038 | 14 | 4,504 | 15 | 9,708 | 14 | 8,985 | 16 |
| Engineering and other | 9,538 | 26 | 2,731 | 9 | 16,811 | 24 | 3,697 | 6 |
| **Total Service Revenue** | $ 33,048 | 90 % | $ 25,617 | 85 % | $ 62,392 | 90 % | $ 48,703 | 85 % |

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

| | Three Months Ended June 30, 2022 | | Three Months Ended June 30, 2021 | | Six Months Ended June 30, 2022 | | Six Months Ended June 30, 2021 | |
|---|---|---|---|---|---|---|---|---|
| | Revenue | % of Total Revenue | Revenue | % of Total Revenue | Revenue | % of Total Revenue | Revenue | % of Total Revenue |
| **Equipment Revenue:** | | | | | | | | |
| Duplex | $ 143 | — % | $ 331 | 1 % | $ 273 | — % | $ 624 | 1 % |
| SPOT | 1,674 | 5 | 2,230 | 7 | 3,149 | 5 | 4,145 | 7 |
| Commercial IoT | 1,908 | 5 | 2,090 | 7 | 3,714 | 5 | 3,611 | 7 |
| Other | 27 | — | 11 | — | 44 | — | 125 | — |
| **Total Equipment Revenue** | $ 3,752 | 10 % | $ 4,662 | 15 % | $ 7,180 | 10 % | $ 8,505 | 15 % |

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

| | Three Months Ended June 30, 2022 | Three Months Ended June 30, 2021 | Six Months Ended June 30, 2022 | Six Months Ended June 30, 2021 |
|---|---|---|---|---|
| **Average number of subscribers for the period:** | | | | |
| Duplex | 42,723 | 44,160 | 43,295 | 45,913 |
| SPOT | 277,815 | 264,508 | 276,633 | 265,127 |
| Commercial IoT | 433,578 | 409,346 | 431,652 | 408,043 |
| Other | 437 | 27,603 | 13,340 | 27,595 |
| Total | 754,553 | 745,617 | 764,920 | 746,678 |
| **ARPU (monthly):** | | | | |
| Duplex | $ 54.12 | $ 54.67 | $ 50.36 | $ 50.45 |
| SPOT | 13.84 | 14.04 | 13.73 | 13.91 |
| Commercial IoT | 3.87 | 3.67 | 3.75 | 3.67 |

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.

Engineering and other service revenue includes revenue generated primarily from certain governmental and engineering service contracts which are not subscriber driven. Accordingly, we do not present ARPU for engineering and other service revenue in the table above.

As previously discussed, during the first quarter of 2022, approximately 25,000 subscribers previously recorded in Other in the table above were removed from our subscriber count.

*Service Revenue*

Duplex service revenue decreased 4% and 6%, respectively, for the three and six months ended June 30, 2022 due primarily to a decrease in average subscribers of 3% and 6%, respectively. The decrease in average subscribers is due to fewer gross subscriber activations over the last twelve months. In line with the shift in demand across the MSS industry from full Duplex voice and data services to IoT-enabled devices, we expect the decline in our Duplex subscriber base to continue as we focus our investments on IoT-enabled devices and services.

SPOT service revenue increased 4% and 3%, respectively, for the three and six months ended June 30, 2022 due primarily to an increase in average subscribers of 5% and 4%, respectively. Lower churn during 2022 has positively contributed to the increase in average subscribers, while gross activations are down slightly compared to the prior twelve month period. Supply chain disruptions over the past few quarters (discussed further below) have reduced equipment sales, and therefore activations, during 2022. However, we have recently experienced growth in our Latin American subscriber base; average subscribers for this region increased 13% and 3% for the three and six month periods respectively, and represents 10% and 3% of our average subscriber growth in total over the same periods. ARPU decreased by 1% for both the three and six months ended June 30, 2022 due to the mix of subscriber rate plans, including the continued popularity of our flex plans which carry lower rates than our traditional prepaid unlimited plans.

Commercial IoT service revenue increased 12% and 8%, respectively, for the three and six months ended June 30, 2022 due to a 6% increase in average subscribers for both periods. The increase in average subscribers is driven by higher gross subscriber activations of 25% and lower churn over the last twelve months. Despite supply chain issues causing significant production delays in 2022, Commercial IoT equipment sales increased over the last twelve months compared to the prior year period (discussed further below), which contributed to higher subscriber activations. Similar to SPOT, we have recently experienced steady growth in our Latin American subscriber base; average subscribers for this region increased 63% and 55% for the three and six month periods, respectively, and represent 9% and 7% of our average subscriber growth in total. For the three and six month periods, ARPU increased 6% and 2%, respectively, driven by the favorable mix of subscribers on various rate plans.

Engineering and other service revenue increased $6.8 million and $13.1 million for the three and six months ended June 30, 2022 compared to the same periods in 2021. Fluctuations in engineering and other service revenue are due primarily to the timing and amount of revenue recognized associated with the Terms Agreement. The increase in revenue recognized during 2022 is due primarily to consideration received for performance obligations associated with our work to expand and upgrade our gateways around the globe and under the satellite procurement agreement. As previously discussed, we disconnected service to approximately 25,000 subscribers in Russia. During 2021, we billed less than $0.3 million to these subscribers and the revenue associated with these subscribers was recorded in Engineering and other service revenue.

*Subscriber Equipment Sales*

Revenue from Duplex equipment sales decreased $0.2 million and $0.4 million for the three and six months ended June 30, 2022 compared to the same periods in 2021. These decreases were driven primarily by a lower sales volume of phones and accessories due to a lack of available inventory since these devices are no longer being manufactured.

Revenue from SPOT equipment sales decreased $0.6 million and $1.0 million for the three and six months ended June 30, 2022 compared to the same periods in 2021. These decreases resulted from a lower sales volume. Two of our core SPOT products are on back order due to inventory shortages, which delayed the fulfillment of orders during the first half of 2022. We continue to see demand exceeding supply resulting from supply chain disruptions caused by component part shortages. We are actively working to address this issue and expect production to resume in the third quarter of 2022.

Revenue from Commercial IoT equipment sales decreased $0.2 million and increased $0.1 million for the three and six months ended June 30, 2022 compared to the same periods in 2021. IoT equipment sales continue to be negatively impacted by component part shortages, which has impacted our ability to produce inventory at sufficient quantities to fulfill sales orders. This situation has resulted in significant back orders of two of our most profitable products. We expect these production issues to be resolved during the third quarter of 2022. Despite these challenges, sales volume of our SmartOne Solar was up 11% year over year and up 10% over the last twelve months.

**Operating Expenses**

Total operating expenses increased to $48.2 million from $46.3 million and increased to $94.6 million from $92.5 million, respectively, for the three and six months ended June 30, 2022 compared to the same periods in 2021. For both the three and six month periods, higher cost of services and a reduction in value of long-lived assets were offset by a reduction in the value of inventory. For the six month period, lower management, general and administrative ("MG&A") costs partially offset the increases noted above. The main contributors to the variance in operating expenses are explained in further detail below.

*Cost of Services*

Cost of services increased $1.6 million and $3.3 million for the three and six months ended June 30, 2022 compared to the same periods in 2021. For the three and six month periods, personnel costs increased $0.4 million and $1.3 million, respectively; the year to date variance included $0.7 million related to annual cash bonuses and non-recurring separation pay during the first quarter of 2022. Higher lease expense associated with new teleport leases (including associated occupancy costs, such as utilities and other building services), which commenced throughout the second half of 2021, contributed to $0.5 million and $1.0 million, respectively, of the total increase. These leases were executed in connection with the gateway expansion project associated with the Terms Agreement; these lease and related costs are being reimbursed to us, and this consideration is being recognized as revenue (as further discussed above in Engineering and other service revenue). Higher professional fees and licensing costs related to our implementation of a new enterprise resource planning ("ERP") system, which went live in January 2022, as well as other costs for information technology security and maintenance contributed $0.3 million and $0.8 million, respectively, to the total increase.

*Cost of Subscriber Equipment Sales*

Cost of subscriber equipment sales increased $0.2 million and decreased $0.1 million for the three and six months ended June 30, 2022 from the same periods in 2021. These fluctuations are generally consistent with the fluctuations in total revenue from subscriber equipment sales, and were also impacted by the reversal of a prior year accrual for tariffs during the second quarter 2021. Pursuant to regulatory developments, we reversed this accrual for potential tariffs owed on imports from China made prior to a ruling by the U.S Customs and Border Protection in September 2019 that we no longer believe will be due, resulting in an expense reduction of $0.9 million.

*Cost of Subscriber Equipment Sales - Reduction in the Value of Inventory*

During the second quarter of 2021, we recorded a reduction in the value of inventory totaling $0.8 million. We wrote off certain Sat-Fi2 materials that are not likely to be used in production as well as defective inventory units that are not saleable. Similar activity did not occur at a significant level in 2022.

*Marketing, General and Administrative*

MG&A expenses were flat for the three month period and decreased $0.7 million for the six month period ended June 30, 2022, compared to the same periods in 2021. MG&A expense for both periods was impacted by certain non-recurring items, including lower subscriber acquisition costs of $0.5 million and $0.9 million, respectively, which was due primarily to the one-time deactivation of all Sat-Fi2 subscribers during the first half of 2021. Additionally, during 2021, we terminated our dealer program and reduced advertising spend for Duplex products and services; these items contributed $0.5 million and $1.0 million, respectively, to the decrease in MG&A expense for the three and six month periods. Finally, during the first quarter of 2022, we reversed a $1.0 million accrual related to professional services associated with the 2018 shareholder litigation based on our assessment of the likelihood of payment. Offsetting these decreases was an increase in personnel costs totaling $0.4 million and $1.6 million, for the three and six month periods; of which $0.3 million and $1.2 million, respectively were related to annual cash bonuses and non-recurring separation pay. Other smaller items contributed to the remaining variance in expense for both periods.

*Reduction in Value of Long-Lived Assets*

During the second quarter of 2022, we recorded a reduction in the value of intangible and other assets totaling $0.5 million. We wrote off work in progress associated with spectrum licensing efforts in certain countries around the world. We determined that attainment of such licenses was no longer probable based on discussions with regulators and other circumstances.

**Other (Expense) Income**

*Gain on Extinguishment of Debt*

Gain on extinguishment of debt for the three and six months ended June 30, 2021 was $2.7 million. In June 2021, the Small Business Administration ("SBA") approved our request for forgiveness of amounts outstanding under the Paycheck Protection Program ("PPP") loan. Accordingly, we recorded a gain on extinguishment of debt totaling $5.0 million during the second quarter of 2021. Offsetting this gain was a $2.3 million write-off of a portion of remaining deferred financing costs resulting from unscheduled principal repayments of the First Lien Facility Agreement during the second quarter of 2021. Similar activity did not occur in 2022.

*Interest Income and Expense*

Interest income and expense, net, decreased $3.6 million and $5.6 million during the three and six months ended June 30, 2022, compared to the same periods in 2021. The decrease for both periods was primarily driven by higher capitalized interest (which decreases interest expense) of $3.9 million and $4.8 million, respectively. Lower gross interest costs totaling $1.0 million also contributed to the decrease in expense for the six month period.

Gross interest costs were generally flat for the three month periods and down $1.0 million for the six month period. For the three month period, lower interest of $2.2 million associated with the 2009 Facility Agreement was offset by higher interest of $1.3 million on the 2019 Facility Agreement and imputed interest associated with the significant financing component related to advance payments from the customer under the Terms Agreement of $0.8 million. For the six month period, lower interest of $5.6 million associated with the 2009 Facility Agreement was offset by higher interest of $2.6 million on the 2019 Facility Agreement and imputed interest associated with the significant financing component related to advance payments from the customer under the Terms Agreement of $1.8 million.

*Derivative Loss*

We recorded derivative losses of $1.2 million and $1.3 million for the three months ended June 30, 2022 and 2021, respectively. We recorded derivative losses of $1.7 million and $2.4 million for the six months ended June 30, 2022 and 2021, respectively. We recognize derivative gains or losses due to the change in the value of certain embedded features within our debt instruments that require standalone derivative accounting. The losses recorded during the three and six months ended June 30, 2022 were impacted primarily by an increase in the discount rate used in the valuation of the derivative associated with our 2019 Facility Agreement. For the six month period, the loss was offset partially by a gain on the valuation adjustment of the embedded derivative associated with our 2013 8.00% Notes. During the first quarter of 2022, the remaining holders of our 2013 8.00% Notes converted the principal balance into shares of Globalstar common stock. As a result of these conversions, we marked-to-market the embedded derivative and recorded a net gain due to a decrease in our stock price and a shorter term to maturity.

The losses recorded during the three and six months ended June 30, 2021 were primarily impacted by increases in our stock price and stock price volatility, which are significant inputs used in the valuation of the embedded derivative associated with our 2013 8.00% Notes.

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.

*Foreign Currency (Loss) Gain*

Foreign currency (loss) gain fluctuated by $11.5 million to a loss of $7.1 million for the three months ended June 30, 2022 from a gain of $4.4 million for the same period in 2021. Foreign currency (loss) gain fluctuated by $4.0 million to a loss of $3.9 million for the six months ended June 30, 2022 from a gain of $0.1 million for the same period in 2021. Changes in foreign currency gains and losses are driven by the remeasurement of financial statement items, which are denominated in various currencies, at the end of each reporting period. For the three months ended June 30, 2022, the foreign currency loss was due to the weakening of the Canadian dollar, the Euro and the Brazilian real relative to the U.S. dollar. For the three months ended June 30, 2021, the foreign currency gain was due to the strengthening of the Canadian dollar, Euro and Brazilian real relative to the U.S. dollar. For the six months ended June 30, 2022, the foreign currency loss was due to the weakening of the Canadian dollar and the Euro real relative to the U.S. dollar. For the six months ended June 30, 2021, the foreign currency gain was due to the strengthening of the Canadian dollar and Brazilian real relative to the U.S. dollar largely offset by the weakening of the Euro relative to the U.S. dollar.

**Liquidity and Capital Resources**

***Overview***

Our principal near-term liquidity requirements include funding our operating costs, capital expenditures, and repayment of amounts being financed through our satellite vendor under the Procurement Agreement. Our principal sources of liquidity include cash on hand, cash flows from operations, and vendor financing. We also expect sources of liquidity to include funds from other debt or equity financings that have not yet been arranged; we are actively pursuing a new debt financing arrangement to repay and fund amounts due under the Procurement Agreement. With this financing, we expect that our current sources of liquidity over the next twelve months will be sufficient for us to cover our obligations. Beyond the next twelve months, our liquidity requirements also include paying our debt service obligations.

As of June 30, 2022 and December 31, 2021, we held cash and cash equivalents of $13.1 million and $14.3 million, respectively, on our condensed consolidated balance sheet.

The total carrying amount of our debt outstanding was $257.5 million at June 30, 2022, compared to $237.9 million at December 31, 2021.

The $19.5 million increase in carrying value of our debt was due to a higher carrying value of the 2019 Facility Agreement of $20.9 million due to the accrual of PIK interest and the accretion of debt discount offset by a reduction in the remaining principal balance of the 2013 8.00% Notes totaling $1.4 million, which were converted into shares of Globalstar common stock during the first quarter of 2022.

***Cash Flows for the six months ended June 30, 2022 and 2021***

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

| | Six Months Ended | |
|---|---|---|
| | June 30, 2022 | June 30, 2021 |
| Net cash provided by operating activities | $ 20,771 | $ 55,920 |
| Net cash used in investing activities | (22,392) | (11,998) |
| Net cash provided by (used in) financing activities | 449 | (45,228) |
| Effect of exchange rate changes on cash and cash equivalents | 9 | (9) |
| Net decrease in cash and cash equivalents | $ (1,163) | $ (1,315) |

*Cash Flows Provided by Operating Activities*

Net cash provided by operations includes primarily cash receipts from subscribers related to the purchase of equipment and satellite voice and data services as well as cash received from the performance of engineering and other service contracts. 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, 2022 was $20.8 million compared to $55.9 million during the same period in 2021. The primary driver for the decrease was due to unfavorable working capital changes offset partially by higher net income after adjusting for noncash items. During 2021, working capital changes were favorably impacted by prepayments made by the customer to the Terms Agreement totaling $51.6 million, which were recorded as deferred revenue (see Note 2: Revenue to our condensed consolidated financial statements for further discussion). The timing of vendor payments also impacted the change in working capital to a lesser extent.

*Cash Flows Used in Investing Activities*

Net cash used in investing activities was $22.4 million for the six months ended June 30, 2022 compared to $12.0 million for the same period in 2021. Net cash used in investing activities during both periods was related primarily to network upgrades associated with the Terms Agreement, including higher costs associated with the procurement and deployment of new antennas for our gateways and the preparation and launch of our on-ground spare satellite, which occurred in June 2022. Cash used in investing activities increased in 2022 due primarily to costs to support the spare satellite launch, offset partially by lower costs associated with gateway upgrades as that portion of the project nears completion. Purchases of intangible assets related to our MSS and terrestrial spectrum licensing initiatives were also uses of cash during both periods.

*Cash Flows Provided by (Used in) Financing Activities*

Net cash used in financing activities was $45.2 million during the six month period ended June 30, 2021, including principal payments of the 2009 Facility Agreement totaling $89.2 million and $43.7 million received in proceeds from the exercise of the warrants issued with our 2019 Facility Agreement. There were no meaningful cash flows from financing activities during the first six months of 2022.

***Indebtedness***

For further discussion on all of our debt and other financing arrangements, see Note 5: Long-Term Debt and Other Financing Arrangements to our condensed consolidated financial statements.

*2019 Facility Agreement*

In 2019, we entered into a $199.0 million facility agreement with Thermo, an affiliate of EchoStar Corporation and certain other unaffiliated lenders (the "2019 Facility Agreement"). The 2019 Facility Agreement is scheduled to mature in November 2025. The loans under the 2019 Facility Agreement bear interest at a blended rate of 13.5% per annum to be paid-in-kind (or in cash at our option, subject to restrictions in the Facility Agreement). As of June 30, 2022, the principal amount outstanding under the 2019 Facility Agreement was $282.0 million. As of June 30, 2022, we were in compliance with all the covenants of the 2019 Facility Agreement, except as it relates to capital expenditures. In August 2022, we received a waiver letter from our lenders increasing permitted capital expenditures for 2022.

The 2019 Facility Agreement requires mandatory prepayments of principal with any Excess Cash Flow (as defined and calculated in the 2019 Facility Agreement) on a semi-annual basis. We generated excess cash flow for the six-month measurement period ended June 30, 2022 and expect to make a prepayment of approximately $6.0 million in August 2022.

*8.00% Convertible Senior Notes Issued in 2013*

In May 2013, we issued $54.6 million aggregate principal amount of its 2013 8.00% Notes. In February 2022, we notified the holders of the 8.00% Notes of our intention to redeem all of the outstanding amount of principal and interest in March 2022. Prior to our intended redemption of the 8.00% Notes in March 2022, the holders converted the remaining principal amount outstanding into 2.3 million shares of Globalstar common stock at a conversion price of $0.69 (as adjusted) per share of common stock. The 2013 8.00% Notes were scheduled to mature on April 1, 2028, subject to various call and put features. Interest on the 2013 8.00% Notes was payable semi-annually in arrears on April 1 and October 1 of each year. We paid interest in cash at a rate of 5.75% per annum and issued additional 2013 8.00% Notes at a rate of 2.25% per annum.

*Vendor Financing*

In February 2022, we entered into a satellite procurement agreement (see Note 8: Commitments and Contingencies to our condensed consolidated financial statements for further discussion). This agreement provides for payment deferrals of milestone payments from February 2022 through August 2022 at a 0% interest rate. Deferred payments are due in August 2022 under the terms of the agreement. We intend to seek an extension of the maturity date while we pursue a new debt financing for the funding of the construction and launch costs for these satellites.

**Off-Balance Sheet Transactions**

We have no material off-balance sheet transactions.

**Recently Issued Accounting Pronouncements**

We review recently issued accounting guidance as new standards are issued. Certain accounting standards issued or effective may be applicable to us; however, we have not identified any standards that will have a material impact on our condensed consolidated financial statements.

**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 2019 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 2019 Facility Agreement.

We expect to refinance our vendor financing in the future and may be exposed to the risk of rising interest rates if this or other future borrowings bear interest at a floating rate.

We also have operations in Argentina, which is considered to have a highly inflationary economy. We continue to monitor the significant uncertainty surrounding current Argentinian exchange mechanisms. Operations in this country are not considered significant to our consolidated operations.

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, 2022, 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, 2022 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, 2022.

*(b) Changes in internal control over financial reporting.*

As of June 30, 2022, our management, with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated our internal control over financial reporting. During the first quarter of 2022, we implemented a new enterprise resource planning ("ERP") system, which replaced our existing financial systems. The implementation and transition to the new ERP system resulted in changes to our reporting processes and our internal control over financial reporting, by automating certain manual procedures and standardizing business processes and reporting across the organization. As a result of this implementation, there were anticipated changes to our internal control over financial reporting, none of which adversely affected the Company's internal control over financial reporting. We will continue to monitor our internal control over financial reporting under the new system, including evaluating the operating effectiveness of related key controls. Based on this 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, 2022 have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II: OTHER INFORMATION

### Item 1. Legal Proceedings.

None.

### Item 1A. Risk Factors.

***Uncertain global macro-economic and political conditions could materially adversely affect our results of operations and financial condition.***

Our results of operations are materially affected by economic and political conditions in the United States and internationally, including inflation, deflation, interest rates, recession, availability of capital, energy and commodity prices, trade laws and the effects of governmental initiatives to manage economic conditions. Current or potential customers may delay or decrease spending on our products and services as their business and/or budgets are impacted by economic conditions. The inability of current and potential customers to pay us for our products and services may adversely affect our earnings and cash flows. In addition, deterioration of conditions in worldwide credit markets could limit our ability to obtain financing to fund our operations and capital expenditures.

The current invasion of Ukraine by Russia has escalated tensions among the United States, the North Atlantic Treaty Organization ("NATO") and Russia. The United States and other NATO member states, as well as non-member states, have announced new sanctions against Russia and certain Russian banks, enterprises and individuals. These and any future additional sanctions and any resulting conflict between Russia, the United States and NATO countries could have an adverse impact on our current operations.

Further, such invasion, ongoing military conflict, resulting sanctions and related countermeasures by NATO states, the United States and other countries are likely to lead to market disruptions, including significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions for equipment, which could have an adverse impact on our operations and financial performance.

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. Other than as set forth above, there have been no material changes to our risk factors disclosed in Part I. Item 1A. "Risk Factors" of our 2021 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* | Third Amended and Restated Certificate of Incorporation of Globalstar, Inc. (Appendix A to DEF 14A filed April 12, 2021) |
| 3.2* | Fourth Amended and Restated Bylaws of Globalstar, Inc. (Exhibit 3.1 to Form 8-K filed on April 15, 2019) |
| 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.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 |

* Incorporated by reference.

## 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, 2022 | 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)* |

**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, 2022

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, 2022

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, 2022 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, 2022 | 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, 2022 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, 2022 | By: | /s/ Rebecca S. Clary |
| | | | Rebecca S. Clary |
| | | | *Chief Financial Officer (Principal Financial Officer)* |