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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

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
(State or Other Jurisdiction of
Incorporation or Organization)

41-2116508
(I.R.S. Employer Identification No.)

461 South Milpitas Blvd.
Milpitas, California 95035
(Address of principal executive offices and zip code)

(408) 933-4000
Registrant's telephone number, including area code

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting 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)

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date. As of November 4, 2008, 119,773,472 shares of Common Stock, par value \$0.0001 per share, were outstanding.

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PART II - Other Information[Table of Contents](#)**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

GLOBALSTAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)
(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2008 | September 30, 2007 | September 30, 2008 | September 30, 2007 |
| Revenue: | | | | |
| Service revenue | \$ 16,150 | \$ 21,263 | \$ 48,833 | \$ 58,713 |
| Subscriber equipment sales | 6,375 | 4,425 | 18,825 | 15,966 |
| Total revenue | <u>22,525</u> | <u>25,688</u> | <u>67,658</u> | <u>74,679</u> |
| Operating expenses: | | | | |
| Cost of services (exclusive of depreciation and amortization shown separately below) | 10,452 | 7,307 | 26,534 | 20,428 |
| Cost of subscriber equipment sales: | | | | |
| Cost of subscriber equipment sales | 4,942 | 3,390 | 14,050 | 11,398 |
| Cost of subscriber equipment sales – Impairment of assets | — | — | 404 | 17,255 |
| Total cost of subscriber equipment sales | 4,942 | 3,390 | 14,454 | 28,653 |
| Marketing, general, and administrative | 17,372 | 12,069 | 48,602 | 34,185 |
| Depreciation and amortization | 7,196 | 3,264 | 19,135 | 8,225 |
| Total operating expenses | <u>39,962</u> | <u>26,030</u> | <u>108,725</u> | <u>91,491</u> |
| Operating loss | <u>(17,437)</u> | <u>(342)</u> | <u>(41,067)</u> | <u>(16,812)</u> |
| Other income (expense): | | | | |
| Interest income | 1,474 | 734 | 4,407 | 2,253 |
| Interest expense | (1,285) | (341) | (2,754) | (1,037) |
| Interest rate derivative loss | (229) | (2,297) | (25) | (751) |
| Other | (6,587) | 3,827 | 1,587 | 4,874 |
| Total other income (expense) | <u>(6,627)</u> | <u>1,923</u> | <u>3,215</u> | <u>5,339</u> |
| Income (loss) before income taxes | <u>(24,064)</u> | <u>1,581</u> | <u>(37,852)</u> | <u>(11,473)</u> |
| Income tax expense | 2,039 | 929 | 2,234 | 118 |
| Net income (loss) | <u>\$ (26,103)</u> | <u>\$ 652</u> | <u>\$ (40,086)</u> | <u>\$ (11,591)</u> |
| Income (loss) per common share: | | | | |
| Basic | \$ (0.31) | \$ 0.01 | \$ (0.48) | \$ (0.15) |
| Diluted | (0.31) | 0.01 | (0.48) | (0.15) |
| Weighted-average shares outstanding: | | | | |
| Basic | 84,631 | 78,000 | 83,711 | 75,614 |
| Diluted | 84,631 | 79,044 | 83,711 | 75,614 |

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)
(Unaudited)

| | September 30, 2008 | December 31, 2007 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 12,937 | \$ 37,554 |
| Accounts receivable, net of allowance of \$5,701 (2008) and \$4,177 (2007) | 15,279 | 12,399 |
| Inventory | 64,849 | 54,939 |
| Advances for inventory | 9,313 | 9,769 |
| Deferred tax assets | 604 | 1,257 |
| Prepaid expenses and other current assets | 6,867 | 3,262 |
| Total current assets | <u>109,849</u> | <u>119,180</u> |
| Property and equipment: | | |
| Spare satellites and related launch costs | — | 47,848 |
| Second-generation satellites, launch costs and ground segment | 435,218 | 147,998 |
| Globalstar System, net | 122,753 | 84,939 |
| Other property and equipment, net | 12,812 | 9,318 |
| | <u>570,783</u> | <u>290,103</u> |
| Other assets: | | |
| Restricted cash | 104,722 | 80,871 |
| Deferred tax assets | 19,049 | 20,303 |
| Other assets, net | 15,174 | 2,518 |
| Total assets | <u>\$ 819,577</u> | <u>\$ 512,975</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 35,952 | \$ 8,400 |
| Accrued expenses | 39,543 | 17,650 |
| Payables to affiliates | 3,119 | 1,487 |
| Deferred revenue | 19,740 | 19,396 |
| Total current liabilities | <u>98,354</u> | <u>46,933</u> |
| Borrowings under revolving credit facility | 35,000 | 50,000 |
| Long term debt | 100,000 | — |
| Long term convertible senior notes | 150,000 | — |
| Employee benefit obligations, net of current portion | 1,422 | 1,779 |
| Other non-current liabilities | 54,583 | 8,719 |
| Total non-current liabilities | <u>341,005</u> | <u>60,498</u> |
| Ownership equity: | | |
| Preferred Stock, \$0.0001 par value; 100,000 shares authorized, issued and outstanding — none | — | — |
| Common Stock, \$0.0001 par value; 800,000 shares authorized, 118,419 shares issued and outstanding at September 30, 2008 and 83,693 shares issued and outstanding at December 31, 2007 | 12 | 8 |
| Additional paid-in capital | 424,443 | 407,743 |
| Accumulated other comprehensive income | 1,467 | 3,411 |
| Retained deficit | (45,704) | (5,618) |
| Total ownership equity | <u>380,218</u> | <u>405,544</u> |
| Total liabilities and shareholders' equity | <u>\$ 819,577</u> | <u>\$ 512,975</u> |

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

| | Nine Months Ended | |
|--|--------------------|--------------------|
| | September 30, 2008 | September 30, 2007 |
| Cash flows from operating activities: | | |
| Net loss | \$ (40,086) | \$ (11,591) |
| Adjustments to reconcile net loss to net cash from operating activities: | | |
| Deferred income taxes | 1,800 | (510) |

| | | |
|--|------------------|------------------|
| Depreciation and amortization | 19,135 | 8,225 |
| Interest rate derivative loss | 25 | 751 |
| Stock-based compensation expense | 10,318 | 5,409 |
| Loss (gain) on disposal of fixed assets | 59 | (137) |
| Provision for bad debts | 1,871 | 425 |
| Interest income on restricted cash | (3,526) | (1,557) |
| Contribution of services | 337 | 315 |
| Cost of subscriber equipment sales - impairment of assets | 404 | 17,255 |
| Amortization of deferred financing costs | 514 | 332 |
| Loss in equity method investee | 105 | — |
| Changes in operating assets and liabilities, net of acquisition: | | |
| Accounts receivable | (4,931) | 5,132 |
| Inventory | (13,871) | (25,447) |
| Advances for inventory | (74) | 6,607 |
| Prepaid expenses and other current assets | 1,219 | (429) |
| Other assets | (1,035) | 327 |
| Accounts payable | 1,665 | (8,549) |
| Payables to affiliates | 1,722 | 128 |
| Accrued expenses and employee benefit obligations | (3,504) | (4,036) |
| Other non-current liabilities | 1,075 | (109) |
| Deferred revenue | 804 | (4,152) |
| Net cash from operating activities | <u>(25,974)</u> | <u>(11,611)</u> |
| Cash flows from investing activities: | | |
| Spare and second-generation satellites and launch costs | (199,525) | (125,850) |
| Second-generation ground | (5,294) | — |
| Property and equipment additions | (4,551) | (2,702) |
| Proceeds from sale of property and equipment | 141 | 263 |
| Payment for intangible assets | — | (214) |
| Investment in businesses | (2,000) | — |
| Cash acquired on purchase of subsidiary | 1,839 | — |
| Restricted cash | (18,298) | — |
| Net cash from investing activities | <u>(227,688)</u> | <u>(128,503)</u> |
| Cash flows from financing activities: | | |
| Proceeds from revolving credit loan | 35,000 | — |
| Payment of principal on notes payable | — | (273) |
| Borrowings from long-term convertible senior notes | 150,000 | — |
| Borrowings from long term debt | 100,000 | — |
| Repayment of revolving credit loan | (50,000) | — |
| Proceeds from irrevocable standby stock purchase agreement | — | 140,255 |
| Deferred financing cost payments | (4,880) | (1,533) |
| Reduction in derivative margin account balance requirements | 159 | — |
| Net cash from financing activities | <u>230,279</u> | <u>138,449</u> |
| Effect of exchange rate changes on cash | (1,234) | (5,694) |
| Net decrease in cash and cash equivalents | (24,617) | (7,359) |
| Cash and cash equivalents, beginning of period | 37,554 | 43,698 |
| Cash and cash equivalents, end of period | <u>\$ 12,937</u> | <u>\$ 36,339</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for: | | |
| Interest | \$ 5,502 | \$ 2,301 |
| Income taxes | \$ 994 | \$ 84 |
| Supplemental disclosure of non-cash financing and investing activities: | | |
| Conversion of redeemable Common Stock to Common Stock | \$ — | \$ 1,249 |
| Accrued launch costs and second-generation satellites costs | \$ 27,481 | \$ 347 |
| Capitalization of interest for spare and second-generation satellites and launch costs | \$ 10,460 | \$ — |
| Vendor financing of second-generation Globalstar System | \$ 48,215 | \$ — |

See accompanying notes to unaudited interim consolidated financial statements.

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GLOBALSTAR, INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1: The Company and Summary of Significant Accounting Policies

Nature of Operations

Globalstar, Inc. (“Globalstar” or the “Company”) was formed as a Delaware limited liability company in November 2003, and was converted into a Delaware corporation on March 17, 2006.

Globalstar is a leading provider of mobile voice and data communications services via satellite. Globalstar's network, originally owned by Globalstar, L.P. ("Old Globalstar"), was designed, built and launched in the late 1990s by a technology partnership led by Loral Space and Communications ("Loral") and QUALCOMM Incorporated ("QUALCOMM"). On February 15, 2002, Old Globalstar and three of its subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. In 2004, Thermo Capital Partners L.L.C., together with its affiliates ("Thermo"), became Globalstar's principal owner, and Globalstar completed the acquisition of the business and assets of Old Globalstar. Thermo remains Globalstar's largest stockholder. Globalstar's Chairman and Chief Executive Officer controls Thermo and its affiliates. Two other members of Globalstar's Board of Directors are also directors, officers or minority equity owners of various Thermo entities.

Globalstar offers satellite services to commercial and recreational users in more than 120 countries around the world. The Company's voice and data products include mobile and fixed satellite telephones, Simplex and duplex satellite data modems and flexible service packages. Many land based and maritime industries benefit from Globalstar with increased productivity from remote areas beyond cellular and landline service. Globalstar's customers include those in the following industries: oil and gas, government, mining, forestry, commercial fishing, utilities, military, transportation, heavy construction, emergency preparedness, and business continuity, as well as individual recreational users.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. These unaudited interim consolidated financial statements include the accounts of Globalstar and its majority owned or otherwise controlled subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, such information includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company's consolidated financial position, results of operations, and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the full year or any future period. Globalstar's results of operations are subject to seasonal usage changes. The months of April through October are typically peak months for service revenues and equipment sales. Government customers in North America tend to use Globalstar's services during summer months, often in support of relief activities after events such as hurricanes, forest fires and other natural disasters.

The preparation of consolidated financial statements in conformity with 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. The Company evaluates its estimates on an ongoing basis, including those related to revenue recognition, allowance for doubtful accounts, inventory valuation, deferred tax assets, property and equipment, warranty obligations and contingencies and litigation. Actual results could differ from these estimates.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Certain reclassifications have been made to prior year consolidated financial statements to conform to current year presentation.

Globalstar operates in one segment, providing voice and data communication services via satellite. As a result, all segment-related financial information required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information," or SFAS 131, is included in the consolidated financial statements.

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Other income (expense) includes foreign exchange transaction gains (losses) of \$(6.5) million and \$1.6 million for the three and nine months ended September 30, 2008, respectively, and \$3.8 million and \$4.9 million for the three and nine months ended September 30, 2007, respectively.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"), which clarifies the definition of fair value, establishes guidelines for measuring fair value, and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements and eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS No. 157 initially was to be effective for the Company on January 1, 2008. However, on February 12, 2008, the FASB approved FASB Staff Position ("FSP") FAS 157-2, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for items within the scope of this FSP. On January 1, 2008, the Company adopted the provisions of SFAS No. 157 that relate to establishing guidelines for measuring fair value of financial assets and liabilities and non-financial assets and non-financial liabilities that are recognized at fair value on a recurring basis. This adoption did not have a material impact on the Company's financial position, results of operations, or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS No. 159"). SFAS No. 159 allows companies to measure many financial assets and liabilities at fair value. It also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. On January 1, 2008, the Company adopted SFAS No. 159. The adoption of SFAS No. 159 did not have a material impact on the Company's financial position, results of operations, or cash flows.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" an amendment of FASB Statement No. 133 ("SFAS No. 161"). SFAS No. 161 requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities. It requires a company to convey better the purpose of derivative use in terms of the risks that it is intending to manage. Disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect a company's financial position, financial performance, and cash flows are required. SFAS No. 161 retains the same scope as SFAS No. 133 and is effective for fiscal years and interim

periods beginning after November 15, 2008. The Company is currently assessing implementation plans and does not expect the adoption of SFAS No. 161 to have a material impact, if any, on the Company's financial position, results of operations, or cash flows.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP (the GAAP hierarchy). SFAS No. 162 supersedes the existing hierarchy contained in the U.S. auditing standards. The existing hierarchy was carried over to SFAS No. 162 essentially unchanged. The Statement becomes effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to the auditing literature. The new hierarchy is not expected to change current accounting practice in any area.

In May 2008, the FASB issued FSP APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon either mandatory or optional conversion (including partial cash settlement) are not addressed by paragraph 12 of APB Opinion No. 14, *Accounting for Convertible Debt and Debt issued with Stock Purchase Warrants*. Additionally, FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company will adopt FSP APB 14-1 beginning in the first quarter of 2009, and this standard must be applied on a retrospective basis. The Company is evaluating the impact of the adoption of FSP APB 14-1 on its financial position, results of operations or cash flows.

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Note 2: Basic and Diluted Loss Per Share

The Company applies the provisions of Statement of Financial Accounting Standard No. 128, "Earnings Per Share" ("SFAS 128"), which requires companies to present basic and diluted earnings per share. Basic earnings per share is computed based on the weighted-average number of shares of Common Stock outstanding during the period. Common Stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive.

The following table sets forth the computations of basic and diluted loss per share (in thousands, except per share data):

| | Three Months Ended September 30, 2008 | | | Nine Months Ended September 30, 2008 | | |
|---|---------------------------------------|--|---------------------|--------------------------------------|--|---------------------|
| | Income (Numerator) | Weighted Average Shares Outstanding (Denominator) | Per-Share Amount | Income (Numerator) | Weighted Average Shares Outstanding (Denominator) | Per-Share Amount |
| Basic and Dilutive loss per common share | | | | | | |
| Net loss | \$ (26,103) | 84,631 | \$ (0.31) | \$ (40,086) | 83,711 | \$ (0.48) |
| | Three Months Ended September 30, 2007 | | | Nine Months Ended September 30, 2007 | | |
| | Income (Numerator) | Weighted Average Shares Outstanding (Denominator) | Per-Share Amount | Income (Numerator) | Weighted Average Shares Outstanding (Denominator) | Per-Share Amount |
| Basic income (loss) per common share | | | | | | |
| Net income (loss) | \$ 652 | 78,000 | \$ 0.01 | \$ (11,591) | 75,614 | \$ (0.15) |
| Effect of Dilutive Securities | | | | | | |
| Stock Options to Director | | 88 | | | | |
| GAT acquisition | | 536 | | | | |
| Unvested restricted stock | | 420 | | | | |
| Diluted income (loss) per common share | | | | | | |
| | \$ 652 | 79,044 | \$ 0.01 | \$ (11,591) | 75,614 | \$ (0.15) |

For the three and nine months ended September 30, 2008 and 2007, diluted net income (loss) per share of Common Stock is the same as basic net income (loss) per share of Common Stock, because the effects of potentially dilutive securities are anti-dilutive.

Shares issued under the Share Lending Agreement (31.4 million shares at September 30, 2008) are excluded from the computation of earnings per share (Note 13).

Note 3: Acquisitions

On March 25, 2008, the Company completed its acquisition of an independent gateway operator that owns and operates three gateway ground stations in Brazil. Pursuant to the terms of the acquisition, the Company acquired all of the outstanding equity of the independent gateway operator for \$6.5 million, including \$6.0 million payable in Common Stock of the Company and \$0.5 million in release of service fees owed to the Company by the independent gateway operator. The Company also incurred transaction costs of \$0.2 million. Earlier in 2008, the Company received the necessary Agencia Nacional de Telecomunicacoes (ANATEL) regulatory approval. The acquisition allows the Company to expand its coverage in South America and engage in discussions with potential partners to provide ancillary terrestrial component or ATC-type services in Brazil.

The following table summarizes the Company's preliminary allocation of the estimated values of the assets acquired and liabilities assumed in the acquisition (in thousands):

| | March 25, 2008 |
|------------------------|-------------------|
| Current assets | \$ 7,695 |
| Property and equipment | 6,872 |

| | |
|---------------------------|----------|
| Long-term assets | 5,361 |
| Total assets acquired | 19,928 |
| Current liabilities | 6,419 |
| Long-term liabilities | 6,792 |
| Total liabilities assumed | 13,211 |
| Net assets acquired | \$ 6,717 |

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Note 4: Property and Equipment

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

| | September 30, 2008 | December 31, 2007 |
|---|-----------------------|----------------------|
| Globalstar System: | | |
| Space segment | \$ 132,983 | \$ 85,142 |
| Ground segment | 27,822 | 21,530 |
| Second-generation satellites and related launch costs | 428,998 | 147,998 |
| Second-generation ground segment | 6,263 | — |
| Spare satellites and related launch costs | — | 47,848 |
| Furniture and office equipment | 16,872 | 14,417 |
| Land and buildings | 3,079 | 2,478 |
| Leasehold improvements | 705 | 717 |
| Construction in progress | 3,710 | 1,132 |
| | 620,432 | 321,262 |
| Accumulated depreciation | (49,649) | (31,159) |
| | \$ 570,783 | \$ 290,103 |

Property and equipment consists of an in-orbit satellite constellation, ground equipment, spare satellites and related launch costs, second-generation satellites and related launch costs, second-generation ground segment and support equipment located in various countries around the world.

On November 30, 2006, the Company entered into a contract with Thales Alenia Space (formerly known as Alcatel Alenia Space France) to construct 48 low-earth orbit satellites. The total contract price, including subsequent additions, is approximately €669.6 million (approximately \$946.7 million at a weighted average conversion rate of €1.00 = \$1.4139 at September 30, 2008) including approximately €146.8 million which was paid by the Company in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940. The contract requires Thales Alenia Space to commence delivery of satellites in the third quarter of 2009, with deliveries continuing until 2013 unless Globalstar elects to accelerate delivery. At September 30, 2008, \$72.8 million was held in escrow to secure the Company's payment obligations related to its contract for the construction of its second-generation satellite constellation. Funds that the Company deposits into the escrow account to support this contract will be used to make payments under this contract in the future. At the Company's request, Thales Alenia Space has presented a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$9.7 million to \$19.4 million at €1.00 = \$1.4449). In 2007, the Company authorized the first two portions of the Thales' four-part sequential plan with an additional cost of €4.1 million (\$5.9 million at €1.00 = \$1.4449). In October 2008, the Company authorized the third portion of the sequential plan with an additional cost of €0.9 million (\$1.3 million at €1.00 = \$1.4449). The Company cannot provide assurance that the remaining acceleration will occur.

In March 2007, the Company and Thales Alenia Space entered into an agreement for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for the Company's second-generation satellite constellation. This agreement complements the second-generation satellite construction contract between Globalstar and Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.1 million (approximately \$13.1 million at a weighted average conversion rate of €1.00 = \$1.4345) consisting of €4.0 million for the Satellite Operations Control Centers, €3.1 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. Globalstar has the option to terminate the contract if excusable delays affecting Thales Alenia Space's ability to perform the contract total six consecutive months or at its convenience. If Globalstar terminates the contract, it must pay Thales Alenia Space the lesser of its unpaid costs for work performed by Thales Alenia Space and its subcontractors or payments for the next two quarters following termination. If Thales Alenia Space has not completed the Control Network Facility acceptance review within 60 days of the due date, Globalstar will be entitled to certain liquidated damages. Failure to complete the Control Network Facility acceptance review on or before six months after the due date results in a default by Thales Alenia Space, entitling Globalstar to a refund of all payments, except for liquidated damage amounts previously paid or with respect to items where final delivery has occurred. The Control Network Facility, when accepted, will be covered by a limited one-year warranty. The contract contains customary arbitration and indemnification provisions.

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On September 5, 2007, the Company and Arianespace (the "Launch Provider") entered into an agreement for the launch of the Company's second-generation satellites and certain pre and post-launch services. Pursuant to the agreement, the Launch Provider will make four launches of six satellites each, and the Company has the option to require the Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is approximately \$210.1 million. On July 5, 2008, the Company amended its agreement with its Launch Provider for the launch of the Company's second-generation satellites and certain pre and post-launch services. Under the amended terms, the Company can defer payment on up to 75% of certain amounts due to the Launch Provider. The deferred payments will incur annual interest at 8% to 12%. See "Item 2. Management's Discussion and

Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - - Capital Expenditures” for a schedule of the payments to the Launch Provider. The anticipated time period for the first four launches ranges from the third quarter of 2009 through the end of 2010 and the optional launches are available from spring 2010 through the end of 2014. Prolonged delays due to postponements by the Company or the Launch Provider may result in adjustments to the payment schedule.

To augment its existing satellite constellation, the Company successfully launched eight spare satellites in two separate launches of four satellites each on May 29, 2007 and October 21, 2007. The Company no longer has any spare satellites remaining to be launched. All of the eight spare satellites had been placed into service and were handling call traffic as of June 30, 2008.

On May 14, 2008, the Company and Hughes Network Systems, LLC (“Hughes”) entered into an agreement under which Hughes will design, supply and implement the Radio Access Network (“RAN”) ground network equipment and software upgrades for installation at a number of the Company’s satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in various next-generation Globalstar devices. The total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. The Company has the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. The RANs, when completed, will be covered by a limited one-year warranty, with an option for the Company to extend the warranty. The agreement contains customary arbitration and indemnification provisions. Future costs associated with certain projects under this contract will be capitalized once the Company has determined that technological feasibility has been achieved on these projects.

As of September 30, 2008 and December 31, 2007, capitalized interest recorded was \$14.8 million and \$1.1 million, respectively. Interest capitalized during the three and nine months ended September 30, 2008 was \$5.4 million and \$13.7 million, respectively. No interest was capitalized during the three and nine months ended September 30, 2007. Depreciation expense for the three and nine months ended September 30, 2008 was \$7.2 million and \$19.0 million, respectively, and \$3.2 million and \$8.1 million for the three and nine months ended September 30, 2007, respectively.

Note 5: Payables to Affiliates

Payables to affiliates relate to normal purchase transactions, excluding interest, and are comprised of the following (in thousands):

| | September 30, 2008 | December 31, 2007 |
|-------------------------|-----------------------|----------------------|
| QUALCOMM | \$ 2,912 | \$ 1,286 |
| Thermo Capital Partners | 207 | 201 |
| | <u>\$ 3,119</u> | <u>\$ 1,487</u> |

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the three and nine months ended September 30, 2008, total expenses were approximately \$57,000 and \$167,000, respectively, and \$45,000 and \$143,000 for the three and nine months ended September 30, 2007, respectively.

For the three and nine months ended September 30, 2008, the Company also recorded approximately \$112,000 and \$337,000, respectively, of non-cash expenses related to services provided by two executive officers of Thermo and the Company who receive no compensation from the Company, which were accounted for as a contribution to capital. For the three and nine months ended September 30, 2007, the Company recorded \$141,000 and \$315,000, respectively, of expenses related to services provided by officers of Thermo, which were accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts incurred or upon allocated employee time. Management believes the allocations are reasonable.

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Note 6: Other Related Party Transactions

Since 2005, Globalstar has issued separate purchase orders for additional phone equipment and accessories under the terms of previously executed commercial agreements with QUALCOMM. Within the terms of the commercial agreements, the Company paid QUALCOMM approximately 7.5% to 25% of the total order as advances for inventory. As of September 30, 2008 and December 31, 2007, total advances to QUALCOMM for inventory were \$9.2 million and \$9.7 million, respectively. As of September 30, 2008 and December 31, 2007, the Company had outstanding commitment balances of approximately \$50.4 million and \$57.0 million, respectively. On October 28, 2008, the Company amended its agreement with QUALCOMM to extend the term for 12 months and defer delivery of mobile phones and related equipment until 2010.

As required by the lender under the Company’s then-current credit agreement discussed below, the Company executed an agreement with Thermo Funding Company LLC, an affiliate of Thermo (“Thermo Funding”), to provide Globalstar up to an additional \$200.0 million of equity via an irrevocable standby stock purchase agreement. The irrevocable standby purchase agreement allowed the Company to put up to 12,371,136 shares of its Common Stock to Thermo Funding at a predetermined price of approximately \$16.17 per share when the Company required additional liquidity or upon the occurrence of certain other specified events. Thermo Funding also could elect to purchase the shares at any time. Minority stockholders of Globalstar as of June 15, 2006 who were accredited investors and who received at least thirty-six shares of Globalstar Common Stock as a result of the Old Globalstar bankruptcy will be provided an opportunity to acquire Common Stock on the same terms. By November 2007, Thermo Funding had purchased all the Common Stock subject to the agreement and fully satisfied its commitment.

On August 16, 2006, the Company entered into an amended and restated credit agreement with Wachovia Investment Holdings, LLC, as administrative agent and swingline lender, and Wachovia Bank, National Association, as issuing lender, which was subsequently amended on September 29 and October 26, 2006. On December 17, 2007, Thermo Funding was assigned all the rights (except indemnification rights) and assumed all the obligations of the administrative agent and the lenders under the amended and restated credit agreement and the credit agreement was again amended and restated. The credit agreement as currently in effect provides for a \$50.0 million revolving credit facility and a \$100.0 million delayed draw term loan facility. As of September 30, 2008, the Company had drawn \$35.0 million of the revolving credit facility and \$100.0 million of the delayed draw term loan facility was outstanding. As of December 31, 2007, the Company had drawn \$50.0 million of the revolving credit facility but none of the delayed draw term loan was outstanding.

All loans will mature on December 31, 2012. Revolving credit loans bear interest at LIBOR plus 4.25% to 4.75% or the greater of the prime rate or Federal Funds rate plus 3.25% to 3.75%. The delayed draw term loan bears interest at either 5% plus the greater of the prime rate and the Federal Funds rate plus 0.5%, or LIBOR plus 6%. The delayed draw term loan facility bore an annual commitment fee of 2.0% until drawn or terminated. Commitment fees related to the loans, incurred during the three and nine months ended September 30, 2008 were less than \$0.1 million and \$0.3 million, respectively. Commitment fees related to the loans, incurred during the three and nine months ended September 30, 2007, were \$0.6 million and \$1.7 million, respectively. The revolving credit loan facility bears an annual commitment fee of 0.5% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. To hedge a portion of the interest rate risk with respect to the delayed draw term loan, the Company entered into a five-year interest rate swap agreement. The loans may be prepaid without penalty at any time. On September 29, 2008, the Company and Thermo agreed that, effective May 26, 2008, all payment of interest on the debt will be deferred until 45 days after Thermo provides notice that the interest is then payable. Interest would accrue on this outstanding interest at the same rate as the underlying loan and be compounded on December 31, 2008 and annually thereafter.

Purchases and other transactions with Affiliates

Total purchases and other transactions from affiliates, excluding interest, are as follows (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|------------------|-------------------------------------|------------------|------------------------------------|------------------|
| | 2008 | 2007 | 2008 | 2007 |
| QUALCOMM | \$ 3,119 | \$ 9,794 | \$ 9,023 | \$ 32,486 |
| Other affiliates | 29 | 6,326 | 1,597 | 13,690 |
| Total | <u>\$ 3,148</u> | <u>\$ 16,120</u> | <u>\$ 10,620</u> | <u>\$ 46,176</u> |

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Note 7: Income Taxes

On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements and provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition issues.

The application of FIN 48 resulted in a cumulative adjustment of \$0.6 million which decreased retained earnings. This decrease was a result of an unrecognized tax benefit of approximately \$73.7 million which was substantially offset by the application of a valuation allowance. The unrecognized tax benefit of \$74.5 million at December 31, 2007 did not change significantly during the three and nine months ended September 30, 2008. In addition, future changes in the unrecognized tax benefit may not have an impact on the effective tax rate due to the existence of the valuation allowances on most of the Company's deferred tax assets. At September 30, 2008, the Company determined, based on its evaluation of current evidence and its effect on its estimate of future taxable income that it was necessary to provide a full valuation allowance against its Canadian subsidiary's deferred tax assets. Accordingly, the Company increased its deferred tax valuation allowance by \$2.1 million with respect to its deferred tax assets,

The Company has been notified that one of its subsidiaries and its predecessor, Globalstar L.P. are currently under audit for the 2004 and 2005 tax years. During the audit period, the Company and its subsidiaries were taxed as partnerships. Neither the Company nor any of its subsidiaries, except for the one noted above, are currently under audit by the Internal Revenue Service ("IRS") or by any state jurisdiction in the United States with respect to Income Taxes. The Company's corporate U.S. tax returns for 2006 and 2007 and U.S. partnership tax returns filed for years before 2006 remain subject to examination by tax authorities. In the Company's international tax jurisdictions, numerous tax years remain subject to examination by tax authorities, including tax returns for 2001 and subsequent years in most of the Company's major international tax jurisdictions.

Note 8: Comprehensive Income (Loss)

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive income and its components in shareholders' equity. Comprehensive income (loss) includes all changes in equity during a period from non-owner sources. The change in accumulated other comprehensive income for all periods presented resulted from foreign currency translation adjustments and minimum pension liability adjustment.

The following are the components of comprehensive income (loss) (in thousands):

| | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|-----------------|------------------------------------|-------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Net income (loss) | \$ (26,103) | \$ 652 | \$ (40,086) | \$ (11,591) |
| Other comprehensive income: | | | | |
| Foreign currency translation adjustments | (488) | 1,488 | (1,944) | 4,184 |
| Minimum pension liability adjustment | — | — | — | (203) |
| Total comprehensive income (loss) | <u>\$ (26,591)</u> | <u>\$ 2,140</u> | <u>\$ (42,030)</u> | <u>\$ (7,610)</u> |

Note 9: Equity Incentive Plan

The Company's 2006 Equity Incentive Plan (the "Equity Plan") is a broad based, long-term retention program intended to attract and retain talented employees and align stockholder and employee interests. Approximately 0.1 million and 2.1 million restricted stock awards and restricted stock units (including grants to both employees and executives) were granted during the three and nine months ended September 30, 2008, respectively. In January 2008, the Company's Board of Directors approved the addition of approximately 1.7 million shares of the Company's Common Stock to the shares available for issuance under the Equity Plan. The Company's stockholders approved the Amended and Restated Equity Plan on May 13, 2008, which added an additional 3.0 million shares of the Company's Common Stock to the shares available for issuance under the Equity Plan.

Note 10: Litigation and Other Contingencies

The Company is involved in certain litigation matters as discussed below.

On February 9, 2007, the first of three purported class action lawsuits was filed against the Company, its Chief Executive Officer (“CEO”) and its Chief Financial Officer (“CFO”) in the United States District Court for the Southern District of New

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York alleging that the Company’s registration statement related to its initial public offering (“IPO”) in November 2006 contained material misstatements and omissions. The Court consolidated the three cases as *Ladmen Partners, Inc. v. Globalstar, Inc., et al.*, Case No. 1:07-CV-0976 (LAP), and appointed Connecticut Laborers’ Pension Fund as lead plaintiff. On August 15, 2007, the lead plaintiff filed its Securities Class Action Consolidated Amended Complaint reasserting claims against the Company and the Company’s CEO and CFO, and adding as defendants the three co-lead underwriters of the IPO, Wachovia Capital Markets, LLC, JPMorgan Securities, Inc. and Jefferies & Company, Inc. On November 15, 2007 plaintiffs filed a Second Amended Complaint. That complaint cites a drop in the trading price of the Company’s Common Stock that followed its filing, on February 5, 2007, of a Current Report on Form 8-K relating in part to changes in the condition of its satellite constellation. It seeks, on behalf of a class of purchasers of the Company’s Common Stock who purchased shares in the IPO, recovery of damages under Sections 11 and 15 of the Securities Act of 1933, and rescission under Section 12(a)(2) of the Securities Act of 1933. On February 15, 2008, all of the defendants filed motions to dismiss the Second Amended Complaint. The plaintiff’s response to these motions was filed on April 15, 2008, and defendants’ reply memorandum was filed May 15, 2008. On September 30, 2008, the presiding judge dismissed all of the plaintiff’s claims with prejudice. The plaintiff filed a notice of appeal to the Second Circuit Court of Appeals on October 29, 2008.

On April 7, 2007, Kenneth Stickrath and Sharan Stickrath filed a purported class action complaint against the Company in the U.S. District Court for the Northern District of California (Case No: 07-CV-01941 THE). The complaint is based on alleged violations of California Business & Professions Code § 17200 and California Civil Code § 1750, et seq., the Consumers’ Legal Remedies Act. Plaintiffs allege that members of the proposed class suffered damages from March 2003 to the present because Globalstar did not perform according to its representations with respect to coverage and reliability. Plaintiffs claim that the amount in controversy exceeds \$5.0 million but do not allege any particular actual damages incurred. Plaintiffs amended their complaint on June 29, 2007, and the Company filed a motion to dismiss the complaint on July 6, 2007. On September 25, 2007, the court issued an order granting in part and denying in part the Company’s motion. Subsequently, on October 17, 2007, the plaintiffs filed their Second Amended Complaint, and Globalstar filed a reply and second motion to dismiss. On February 6, 2008, the judge granted Globalstar’s motion in part and denied it in part, thereby narrowing the scope of the case. A mandatory mediation session was held March 10, 2008 and discovery related solely to the issue of certification of the class was completed in April 2008. A hearing on Globalstar’s motion for summary judgment was held on October 29, 2008. The judge deferred hearing plaintiffs’ motion for class certification.

On April 24, 2007, Mr. Jean-Pierre Barrette filed a motion for Authorization to Institute a Class Action in Quebec, Canada, Superior Court against Globalstar Canada. Mr. Barrette asserted claims based on Quebec law related to his alleged problems with Globalstar Canada’s service. In June 2008 Globalstar Canada and the plaintiff settled the case for an immaterial amount. The settlement was approved by the court on June 25, 2008 and has been fully implemented.

On February 5, 2008, the Company filed a Petition for Review in the U.S. Court of Appeals for the District of Columbia Circuit of the FCC’s November 9, 2007, Second Order on Reconsideration and Second Report and Order (the “Second Report”) in IB Docket No. 02-364. The Second Report, among other things, reassigned the L-band spectrum in the 1610-1626.5 MHz frequency band between the Company and Iridium Satellite LLC, reducing Globalstar’s spectrum and increasing Iridium’s. The Company filed its brief on September 17, and the FCC filed its brief on October 17. The Company’s reply brief is due on November 18. The Company cannot predict whether the court will rule in its favor or when a decision may be issued.

The Company is under a sales and use tax examination by the California Board of Equalization for tax years ended 2005, 2006 and 2007. The Company believes that the amount accrued on its books related to sales and use tax contingency is adequate.

From time to time, the Company is involved in various other litigation matters involving ordinary and routine claims incidental to its business. Management currently believes that the outcome of these proceedings, either individually or in the aggregate, will not have a material adverse effect on the Company’s business, results of operations or financial condition.

Note 11: Geographic Information

Revenue by geographic location, presented net of eliminations for intercompany sales, was as follows for the three and nine months ended September 30, 2008 and 2007 (in thousands):

| | Three months ended | | Nine months ended | |
|------------------------------------|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Service: | | | | |
| United States | \$ 8,233 | \$ 11,922 | \$ 24,908 | \$ 32,175 |
| Canada | 5,018 | 7,047 | 16,140 | 20,391 |
| Europe | 946 | 1,431 | 3,018 | 3,498 |
| Central and South America | 1,747 | 559 | 4,165 | 1,788 |
| Others | 206 | 304 | 602 | 861 |
| Total service revenue | 16,150 | 21,263 | 48,833 | 58,713 |
| Subscriber equipment: | | | | |
| United States | 3,742 | 1,298 | 9,730 | 6,351 |
| Canada | 1,632 | 1,522 | 5,644 | 4,259 |
| Europe | 115 | 1,163 | 1,534 | 4,066 |
| Central and South America | 685 | 255 | 1,677 | 714 |
| Others | 201 | 187 | 240 | 576 |
| Total subscriber equipment revenue | 6,375 | 4,425 | 18,825 | 15,966 |

[Table of Contents](#)**Note 12: Interest Rate Derivative**

In July 2006, in connection with entering into its credit agreement, which provides for interest at a variable rate (Note 6), the Company entered into a five-year interest rate swap agreement. The interest rate swap agreement reflected a \$100.0 million notional amount at a fixed interest rate of 5.64%. The fair value of the interest rate swap agreement as measured on a recurring basis as of September 30, 2008 and December 31, 2007 is presented in the table below.

| (In Thousands) | December 31, 2007 | Fair Value Measurements at September 30, 2008 using | | | Total Balance |
|--|-------------------|---|---|---|---------------|
| | | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | |
| Other non-current liabilities: | | | | | |
| Interest rate derivative | \$ 5,949 | \$ — | \$ 5,974 | \$ — | \$ 5,974 |
| Total non-current liabilities measured at fair value | \$ 5,949 | \$ — | \$ 5,974 | \$ — | \$ 5,974 |

The increases in fair value of the interest rate swap agreement liability, for the three and nine months ended September 30, 2008, of approximately \$0.2 million and less than \$0.1 million, respectively, were recognized as “Interest rate derivative loss” in the accompanying Consolidated Statements of Operations.

Note 13: Recent Public Offerings**Convertible Senior Note Offering**

On April 10, 2008, the Company entered into an Underwriting Agreement (the “Convertible Notes Underwriting Agreement”) with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc. (together, the “Convertible Notes Underwriters”) relating to the sale by the Company of \$135.0 million aggregate principal amount of its 5.75% Convertible Senior Notes due 2028 (the “Notes”). Pursuant to the Convertible Notes Underwriting Agreement, the Company granted the Convertible Notes Underwriters a 30-day option to purchase up to an additional \$15.0 million aggregate principal amount of the Notes solely to cover over-allotments, if any.

The sale of \$135.0 million aggregate principal amount of the Notes was completed on April 15, 2008. The Convertible Notes Underwriters subsequently executed their over-allotment option and purchased an additional \$15.0 million aggregate principal amount of the Notes on May 8, 2008. The sale of the Notes was registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (File No. 333-149798), as supplemented by a prospectus supplement and a free-writing prospectus, both dated April 10, 2008.

The Notes were issued under a Senior Indenture, entered into and dated as of April 15, 2008 (the “Base Indenture”), between the Company and U.S. Bank, National Association, as trustee (the “Trustee”), supplemented by a First Supplemental Indenture with respect to the Notes, entered into and dated as of April 15, 2008 (the “Supplemental Indenture”), between the Company and the Trustee (the Base Indenture and the Supplemental Indenture, collectively, the “Indenture”). Also, pursuant to the Indenture, the Company, the Trustee and U.S. Bank, National Association, as escrow agent (the “Escrow Agent”), entered into a Pledge and Escrow Agreement dated as of April 15, 2008 (the “Pledge Agreement”).

In accordance with the Pledge Agreement, approximately \$25.5 million of the proceeds of the offering of the Notes were placed in an escrow account with the Escrow Agent. Funds in the escrow account will be invested in government securities and, if the Company does not elect to make the payments from its other funds, will be used to make the first six scheduled semi-annual interest payments on the Notes. Pursuant to the Pledge Agreement, the Company pledged its interest in this escrow account to the Trustee as security for these interest payments.

Except for the pledge of the escrow account under the Pledge Agreement, the Notes are senior unsecured debt obligations of the Company. There is no sinking fund for the Notes. The Notes mature on April 1, 2028 and bear interest at a rate of 5.75% per annum. Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing October 1, 2008, to holders of record on the preceding March 15 and September 15, respectively.

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Subject to certain exceptions set forth in the Indenture, the Notes are subject to repurchase for cash at the option of the holders of all or any portion of the Notes (i) on each of April 1, 2013, April 1, 2018 and April 1, 2023 or (ii) upon a fundamental change, both at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any. A fundamental change will occur upon certain changes in the ownership of the Company, or certain events relating to the trading of the Company’s Common Stock, as further described below.

Holder may convert their Notes at their option at any time prior to the close of business on the business day immediately preceding April 1, 2028. The Notes are convertible into shares of Common Stock, subject to the Company’s option to deliver cash in lieu of all or a portion of the shares. The Notes are convertible at an initial conversion rate of 166.1820 shares of Common Stock per \$1,000 principal amount of Notes, subject to adjustment in the manner set forth in the Supplemental Indenture. The conversion rate may not exceed 240.9638 shares of Common Stock per \$1,000 principal amount of Notes, subject to adjustment. In addition to receiving the applicable amount of shares of Common Stock or cash in lieu of all or a portion of the shares, holders of Notes who

convert their Notes prior to April 1, 2011 will receive the cash proceeds from the sale by the Escrow Agent of the portion of the government securities in the escrow account that are remaining with respect to any of the first six interest payments that have not been made on the Notes being converted. See Note 14.

Holders who convert their Notes in connection with certain events occurring on or prior to April 1, 2013 constituting a “make whole fundamental change” (as defined below) will be entitled to an increase in the conversion rate as specified in the Indenture. The number of additional shares by which the applicable base conversion rate will be increased will be determined by reference to the applicable table below and is based on the date on which the make whole fundamental change becomes effective (the “effective date”) and the price (the “stock price”) paid, or deemed paid, per share of the Company’s common stock in the make whole fundamental change, subject to adjustment as described below. If the holders of common stock receive only cash in a make whole fundamental change, the stock price will be the cash amount paid per share of the Company’s common stock. Otherwise, the stock price will be the average of the closing sale prices of the Company’s common stock for each of the 10 consecutive trading days prior to, but excluding, the relevant effective date.

The events that constitute a make whole fundamental change are as follows:

- Any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have beneficial ownership of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of voting stock representing 50% of more (or if such person is Thermo Capital Partners LLC, 70% or more) of the total voting power of all outstanding voting stock of the Company;
- The Company consolidates with, or merges with or into, another person or the Company sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any person;
- The adoption of a plan of liquidation or dissolution of the Company; or
- The Company’s common stock (or other common stock into which the Notes are then convertible) is not listed on a United States national securities exchange or approved for quotation and trading on a national automated dealer quotation system or established automated over-the-counter trading market in the United States.

The stock prices set forth in the first column of the Make Whole Table below will be adjusted as of any date on which the base conversion rate of the notes is otherwise adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to the adjusted multiplied by a fraction, the numerator of which is the base conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the base conversion rate as so adjusted. The base conversion rate adjustment amounts set forth in the table below will be adjusted in the same manner as the base conversion rate.

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| Stock Price on Effective Date | Effective Date | | | | | |
|-------------------------------|--|---------------|---------------|---------------|---------------|---------------|
| | Make Whole Premium (Increase in Applicable Base Conversion Rate) | | | | | |
| | April 15, 2008 | April 1, 2009 | April 1, 2010 | April 1, 2011 | April 1, 2012 | April 1, 2013 |
| \$ 4.15 | 74.7818 | 74.7818 | 74.7818 | 74.7818 | 74.7818 | 74.7818 |
| \$ 5.00 | 74.7818 | 64.8342 | 51.4077 | 38.9804 | 29.2910 | 33.8180 |
| \$ 6.00 | 74.7818 | 63.9801 | 51.4158 | 38.2260 | 24.0003 | 0.4847 |
| \$ 7.00 | 63.9283 | 53.8295 | 42.6844 | 30.6779 | 17.2388 | 0.0000 |
| \$ 8.00 | 55.1934 | 46.3816 | 36.6610 | 26.0029 | 14.2808 | 0.0000 |
| \$ 10.00 | 42.8698 | 36.0342 | 28.5164 | 20.1806 | 11.0823 | 0.0000 |
| \$ 20.00 | 18.5313 | 15.7624 | 12.4774 | 8.8928 | 4.9445 | 0.0000 |
| \$ 30.00 | 10.5642 | 8.8990 | 7.1438 | 5.1356 | 2.8997 | 0.0000 |
| \$ 40.00 | 6.6227 | 5.5262 | 4.4811 | 3.2576 | 1.8772 | 0.0000 |
| \$ 50.00 | 4.1965 | 3.5475 | 2.8790 | 2.1317 | 1.2635 | 0.0000 |
| \$ 75.00 | 1.4038 | 1.1810 | 0.9358 | 0.6740 | 0.4466 | 0.0000 |
| \$ 100.00 | 0.4174 | 0.2992 | 0.1899 | 0.0985 | 0.0663 | 0.0000 |

The actual stock price and effective date may not be set forth in the table above, in which case:

- If the actual stock price on the effective date is between two stock prices in the table or the actual effective date is between two effective dates in the table, the amount of the base conversion rate adjustment will be determined by straight-line interpolation between the adjustment amounts set forth for the higher and lower stock prices and the earlier and later effective dates, as applicable, based on a 365-day year;
- If the actual stock price on the effective date exceeds \$100.00 per share of the Company’s common stock (subject to adjustment), no adjustment to the base conversion rate will be made; and
- If the actual stock price on the effective date is less than \$4.15 per share of the Company’s common stock (subject to adjustment), no adjustment to the base conversion rate will be made.

Notwithstanding the foregoing, the base conversion rate will not exceed 240.9638 shares of common stock per \$1,000 principal amount of Notes, subject to adjustment in the same manner as the base conversion rate.

Except as described above with respect to holders of notes who convert their Notes prior to April 1, 2011, there is no circumstance in which holders could receive cash in addition to the maximum number of shares of common stock issuable upon conversion of the Notes.

If the Company makes at least 10 scheduled semi-annual interest payments, the Notes are subject to redemption at the Company's option at any time on or after April 1, 2013, at a price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any.

The Indenture contains customary financial reporting requirements and also contains restrictions on mergers and asset sales. The Indenture also provides that upon certain events of default, including without limitation failure to pay principal or interest, failure to deliver a notice of fundamental change, failure to convert the Notes when required, acceleration of other material indebtedness and failure to pay material judgments, either the trustee or the holders of 25% in aggregate principal amount of the Notes may declare the principal of the Notes and any accrued and unpaid interest through the date of such declaration immediately due and payable. In the case of certain events of bankruptcy or insolvency relating to the Company or its significant subsidiaries, the principal amount of the Notes and accrued interest automatically becomes due and payable.

Common Stock Offering and Share Lending Agreement

Concurrently with the offering of the Notes, on April 10, 2008, the Company entered into a share lending agreement (the "Share Lending Agreement") with Merrill Lynch International (the "Borrower"), through Merrill Lynch, Pierce, Fenner & Smith Incorporated, as agent for Borrower (in such capacity, the "Borrowing Agent"), pursuant to which the Company agreed to lend up to 36,144,570 shares of Common Stock (the "Borrowed Shares") to the Borrower, subject to certain adjustments set forth in the Share Lending Agreement, for a period ending on the earliest of (i) the date the Company notifies the Borrower in writing of its intention to terminate the Share Lending Agreement at any time after the entire principal amount of the Notes ceases to be outstanding and the Company has settled all payments or deliveries in respect of the Notes (as the settlement may be extended pursuant to market disruption events or otherwise pursuant to the Indenture), whether as a

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result of conversion, redemption, repurchase, cancellation, at maturity or otherwise, (ii) the written agreement of the Company and the Borrower to terminate, (iii) the occurrence of a Borrower default, at the option of Lender, and (iv) the occurrence of a Lender default, at the option of the Borrower. Pursuant to the Share Lending Agreement, upon the termination of the share loan, the Borrower must return the Borrowed Shares to the Company. The only exception would be that, if pursuant to a merger, recapitalization or reorganization, the Borrowed Shares were exchanged for or converted into cash, securities or other property ("Reference Property"), the Borrower would return the Reference Property. Upon the conversion of Notes (in whole or in part), a number of Borrowed Shares proportional to the conversion rate for such notes must be returned to the Company. In no event will the Borrower retain the Borrowed Shares.

On April 10, 2008, the Company entered into an underwriting agreement (the "Equity Underwriting Agreement") with the Borrower and the Borrowing Agent. Pursuant to and upon the terms of the Share Lending Agreement, the Company will issue and lend the Borrowed Shares to the Borrower as a share loan. The Borrowing Agent also is acting as an underwriter (the "Equity Underwriter") with respect to the Borrowed Shares, which are being offered to the public. The Borrowed Shares include 21,936,020 shares of Common Stock initially loaned by the Company to the Borrower pursuant to Section 2(a) of the Underwriting Agreement, an aggregate of 10,000,000 shares of Common Stock loaned by the Company to the Borrower on two separate occasions pursuant to Borrowing Notices dated as of April 15, 2008 and August 13, 2008, delivered pursuant to the Share Lending Agreement and the Underwriting Agreement, and an additional 4,208,550 shares of Common Stock that, from time to time, may be borrowed from the Company by the Borrower pursuant to the Share Lending Agreement and the Underwriting Agreement and subsequently offered and sold at prevailing market prices at the time of sale or negotiated prices. The sale of the Borrowed Shares was registered under the S-3 (33-149798). The Company used two prospectus supplements for the transaction, one for the sale of the Notes (and the underlying Common Stock) and the other for the sale of the Borrowed Shares. The Company filed the prospectus supplement for the sale of the Borrowed Shares pursuant to Rule 424(b) (3) on April 2, 2008 and pursuant to Rule 424(b) (5) on April 14, 2008. Hence the Borrowed Shares are free trading shares.

The Company will not receive any proceeds from the sale of the Borrowed Shares pursuant to the Share Lending Agreement but will receive a nominal lending fee of \$0.0001 per share for each share of Common Stock that it loans to the Borrower pursuant to the Share Lending Agreement. The Borrower will receive all of the proceeds from the sale of Borrowed Shares pursuant to the Share Lending Agreement.

The Borrowed Shares are treated as issued and outstanding for corporate law purposes, and accordingly, the holders of the Borrowed Shares will have all of the rights of a holder of the Company's outstanding shares, including the right to vote the shares on all matters submitted to a vote of the Company's stockholders and the right to receive any dividends or other distributions that the Company may pay or makes on its outstanding shares of Common Stock. However, under the Share Lending Agreement, the Borrower has agreed:

- To pay, within one business day after the relevant payment date, to the Company an amount equal to any cash dividends that the Company pays on the Borrowed Shares; and
- To pay or deliver to the Company, upon termination of the loan of Borrowed Shares, any other distribution, in liquidation or otherwise, that the Company makes on the Borrowed Shares.

To the extent the Borrowed Shares the Company initially lent under the share lending agreement and offered in the Common Stock offering have not been sold or returned to it, the Borrower has agreed that it will not vote any such Borrowed Shares. The Borrower has also agreed under the share lending agreement that it will not transfer or dispose of any Borrowed Shares, other than to its affiliates, unless the transfer or disposition is pursuant to a registration statement that is effective under the Securities Act. However, investors that purchase the shares from the Borrower (and any subsequent transferees of such purchasers) will be entitled to the same voting rights with respect to those shares as any other holder of the Company's Common Stock.

In view of the contractual undertakings of the Borrower in the Share Lending Agreement, which have the effect of substantially eliminating the economic dilution that otherwise would result from the issuance of the Borrowed Shares, the Company believes that under generally accepted accounting principles in the United States currently in effect, the Borrowed Shares will not be considered outstanding for the purpose of computing and reporting the Company's earnings per share.

The Company evaluated the various embedded derivatives within the Indenture for bifurcation from the Notes under the provisions of FASB's Statement of Financial Standards No.133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), Emerging Issues Task Force Issue No. 01-6, "The Meaning of Indexed to a Company's Own Stock" ("EITF 01-6") and Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments

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Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19"). Based upon its detailed assessment, the Company concluded that these embedded derivatives were either (i) excluded from bifurcation as a result of being clearly and closely related to the Notes or are indexed to the Company's Common Stock and would be classified in stockholders' equity if freestanding or (ii) the fair value of the embedded derivatives was estimated to be immaterial.

Note 14: Subsequent Events

On October 8, 2008, the Company signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. According to the \$22.7 million contract, Ericsson will work with the Company to develop, implement and maintain a ground interface, or core network, system that will be installed at Globalstar's satellite gateway ground stations. The all Internet Protocol (IP) based core network system is wireless 3G/4G compatible and will link the Company's radio access network to the public-switched telephone network (PSTN) and/or Internet. Design of the new core network system is now underway.

On October 15, 2008, the FCC released an Order of Modifications ("Order") modifying both the Company's and Iridium's satellite constellation licenses consistent with its Second Report. See Note 10. The FCC's Order, which is effective December 14, 2008, reduces the Company's spectrum assignment not only in the U.S. but globally. The FCC invited the Company to file applications for waiver of the Order in the event that the Order would cause particular hardship. The Company has not yet decided how to respond to the Order.

On October 28, 2008, the Company amended its agreement with QUALCOMM to extend the term for 12 months and defer delivery of mobile phones and related equipment until 2010.

On October 31, 2008, the FCC released an order authorizing us to implement the Company's agreement with Open Range Communications, Inc, to provide WiMax service in rural communities as an ancillary terrestrial component of the Company's satellite service.

Holders of \$36 million aggregate principal amount, or 24%, of the outstanding 5.75% Convertible Senior Notes due 2028 ("Notes") of the Company have submitted notices of conversion to the trustee in order to convert their Notes into Common Stock in accordance with the terms of the indenture governing the Notes. The Company expects to issue approximately 6.0 million shares of its Common Stock and pay a nominal amount of cash for fractional shares when the conversion of these Notes is completed over the conversion reference period. In addition, the holders are entitled to receive an early conversion make whole amount of approximately \$5.2 million representing the next five semi-annual interest payments that would have become due on the converted Notes, which will be paid from funds in an escrow account for the benefit of the holders of Notes. After this conversion, \$114 million aggregate principal amount of Notes will remain outstanding. The Company's aggregate cash interest cost savings through maturity resulting from these conversions will be approximately \$35.2 million.

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

Forward-Looking Statements

Certain statements contained in or incorporated by reference into this 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, our ability to obtain additional financing, 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, 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 capital spending (including for future satellite procurements and launches), 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, and other statements contained in this Report regarding matters that are not historical facts, involve predictions. Risks and

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uncertainties that could cause or contribute to such differences include, without limitation, those in Part II. Item 1A. Risk Factors in this Report or incorporated by reference into this Report, including those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Although we believe that the forward-looking statements contained or incorporated by reference in this Report are based upon reasonable assumptions, the forward-looking events and circumstances discussed in this Report may not occur, and actual results could differ materially from those anticipated or implied in the forward-looking statements.

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.

Overview

We are a provider of mobile voice and data communication services via satellite. Our communications platform extends telecommunications beyond the boundaries of terrestrial wireline and wireless telecommunications networks to serve our customer’s desire for connectivity. Using in-orbit satellites and ground stations, which we call gateways, we offer voice and data communications services to government agencies, businesses and other customers in over 120 countries.

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Material Trends and Uncertainties. Our satellite communications business, by providing critical mobile communications to our subscribers, serves principally the following markets: government, public safety and disaster relief; recreation and personal; oil and gas; maritime and fishing; natural resources, mining and forestry; construction; utilities; and transportation. Our industry has been growing as a result of:

- favorable market reaction to new pricing plans with lower service charges;
- awareness of the need for remote communication services;
- increased demand for communication services by disaster and relief agencies and emergency first responders;
- improved voice and data transmission quality;
- a general reduction in prices of user equipment; and
- with the addition of our retail product line we are exposed to current consumer spending and consumer confidence.

In addition, our industry as a whole has benefited from the improved financial condition of most industry participants following their financial reorganizations.

Nonetheless, we face a number of challenges and uncertainties, including:

- *Constellation life and health.* Our current satellite constellation is aging. We successfully launched our eight spare satellites in 2007. All of our satellites launched prior to 2007 have experienced various anomalies over time, one of which is a degradation in the performance of the solid-state power amplifiers of the S-band communications antenna subsystem (our “two-way communication issues”). The S-band antenna provides the downlink from the satellite to a subscriber’s phone or data terminal. Degraded performance of the S-band antenna amplifiers reduces the availability of two-way voice and data communication between the affected satellites and the subscriber, and may reduce the ability to connect, or the duration of a call. If the S-band antenna on a satellite ceases to be commercially functional, two-way communication is impossible over that satellite, but not necessarily over the constellation as a whole. Subscriber service will continue to be available, but at certain times in any given location it may take longer to establish calls and the average duration of calls may be impacted adversely. There are periods of time each day during which no two-way voice and data service is available at any particular location. The root cause of our two-way communication issues is unknown, although we believe it may result from irradiation of the satellites in orbit caused by the space environment at the altitude that our satellites operate.

The decline in the quality of two-way communication does not affect adversely our one-way Simplex data transmission services, including our new SPOT satellite messenger™ products and services, which utilize only the L-band uplink from a subscriber’s Simplex terminal to the satellites.

To date, we have managed the two-way communication issue in various technical ways, including moving less impaired satellites to key orbital positions and launching eight spare satellites. Nonetheless, we have been unable to correct our two-way communication issues. As of September 30, 2008, we have decommissioned 10 of our original 52 satellites.

Although the rate of degradation of the S-band antennas has slowed since 2007, we continue to believe that the quality of two-way communication services will continue to decline, and by some time in early 2009 we anticipate that all of our satellites launched between 1998 and 2000, but not those satellites launched in 2007, will cease to be able to support two-way communications. Simplex data services, including our new SPOT satellite messenger products and services, will not be affected.

We continue to work on plans, including new products and services and pricing programs to mitigate the effects of reduced service availability upon our customers and operations. Among other things, we requested Thales Alenia Space to present a plan for accelerating delivery of the initial 24 satellites of our second-generation constellation by up to four months. In 2007, we accepted the first two portions of the Thales’ four-part sequential plan. In October, 2008, we accepted the third portion of the four-part sequential plan. See “Part II, Item 1A. Risk Factors.

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- *Competition and pricing pressures.* We face increased competition from both the expansion of terrestrial-based cellular phone systems and from other mobile satellite service providers. We believe Inmarsat plans to commence offering satellite services to handheld devices in the United States in 2009, and several competitors, such as ICO Global Communications Company, are constructing geostationary satellites to provide mobile satellite service. The increased number of competitors, and the introduction of new services and products by competitors, increases

competition for subscribers and pressures all providers, including us, to reduce prices. Increased competition may result in loss of subscribers, decreased revenue, decreased gross margins, higher churn rates, and, ultimately, decreased profitability and cash.

- *Technological changes.* It is difficult for us to respond promptly to major technological innovations by our competitors because substantially modifying or replacing our basic technology, satellites or gateways is time-consuming and very expensive. Approximately 70% of our total assets at September 30, 2008 represented fixed assets. Although we plan to procure and deploy our second-generation satellite constellation and upgrade our gateways and other ground facilities, we may nevertheless become vulnerable to the successful introduction of superior technology by our competitors.
- *Capital expenditures.* We have incurred significant capital expenditures from 2006 to 2008, and we expect to incur additional significant expenditures through 2013 under the following commitments:

We estimate that procuring and deploying our second-generation satellite constellation and upgrading our gateways and other ground facilities will cost approximately \$1.26 billion (exclusive of internal costs and capitalized interest), which we expect will be reflected in capital expenditures through 2013. The following obligations are included in this amount:

In November, 2006, we entered into a contract with Thales Alenia Space for the construction of our second-generation constellation. The total contract price, including subsequent additions, will be approximately €669.6 million (approximately \$946.7 million at a weighted average conversion rate of €1.00 = \$1.4139 at September 30, 2008, including approximately €146.8 million paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940). We have made aggregate payments of approximately €217.7 million (approximately \$294.4 million) through September 30, 2008 under this contract. At our request, Thales Alenia Space has presented to us a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$9.7 million to \$19.4 million at € 1.00 = \$1.4449). In 2007, we accepted the first two portions of the Thales four-part sequential acceleration plan with an additional cost of €4.1 million (\$5.9 million at €1.00 = \$1.4449). In October 2008, the Company authorized the third portion of the sequential plan with an additional cost of €0.9 million (\$1.3 million at €1.00 = \$1.4449). We cannot provide assurance that any of the remaining acceleration will occur.

In March 2007, we entered into a €9.1 million (approximately \$13.1 million at a weighted average conversion rate of €1.00 = \$1.4345) agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the “Control Network Facility”) for our second-generation satellite constellation. We have made aggregate payments under this contract of approximately €6.7 million (approximately \$9.9 million) through September 30, 2008.

In September, 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.1 million. On July 5, 2008, we amended our agreement with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Under the amended terms, we can defer payment on up to 75% of certain amounts due to the Launch Provider. The deferred payments will incur annual interest at 8% to 12%. We have made aggregate payments under this contract of approximately \$26.3 million through September 30, 2008.

On May 14, 2008, we entered into a contract with Hughes under which Hughes will design, supply and implement the Radio Access Network (“RAN”) ground network equipment and software upgrades for installation at a number of our satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in our various next-generation devices. The total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. We have the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. We have made aggregate payments under this contract of approximately \$4.8 million through September 30, 2008.

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On October 8, 2008, we signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. According to the \$22.7 million contract, Ericsson will work with us to develop, implement and maintain a ground interface, or core network, system that will be installed at our satellite gateway ground stations. The all Internet protocol (IP) based core network system is wireless 3G/4G compatible and will link our radio access network to the public-switched telephone network (PSTN) and/or Internet. Design of the new core network system is now underway.

We have completed construction of a gateway in Singapore at a total cost of approximately \$4.0 million. This gateway was fully operational for Simplex service in October 2008. Duplex service is expected to be introduced when the second-generation constellation becomes operational.

See “Liquidity and Capital Resources” for a discussion of our requirements for funding these capital expenditures.

- *Introduction of new products.* We work continuously with the manufacturers of the products we sell to offer our customers innovative and improved products. Virtually all engineering, research and development costs of these new products are paid by the manufacturers. However, to the extent the costs are reflected in increased inventory costs to us, and we are unable to raise our prices to our subscribers correspondingly, our margins and profitability would be reduced.

Simplex Products (Personal Tracking Services and Emergency Messaging). In early November 2007, we introduced the SPOT satellite messenger, aimed at attracting both the recreational and commercial markets that require personal tracking, emergency location and messaging solutions for users that require these services beyond the range of traditional terrestrial and wireless communications. Using the Globalstar Simplex network and web-based mapping software, this device provides consumers with the capability to trace or map the location of the user on Google Maps™. The product enables users to transmit messages to specific preprogrammed email addresses, phone or data devices, and to request assistance in the event of an emergency. We are continuing to develop second-generation SPOT-like applications.

We believe the addressable market for our SPOT satellite messenger products and services in North America consists of approximately 50 million consumers, primarily made up of outdoor enthusiasts. Our objective is to capture 2-3% of that market by the end of 2010. The reach of our Simplex System, on which our SPOT satellite messenger products and services relies, covers approximately 60% of the world population. We intend to market our SPOT satellite messenger products and services aggressively in our overseas markets including South and Central America, Western Europe, and through independent gateway operators (“IGOs”) in their respective territories.

- SPOT Satellite Messenger Pricing

The pricing for SPOT satellite messenger products and services and equipment is intended to be extremely competitive. Annual service fees, depending whether they are for domestic or international service, currently range from \$99.99 to approximately \$156.00 for our basic level plan, and \$149.98 to approximately \$218.00 with additional tracking capability. We expect the equipment will be sold to end users at \$149.99 to approximately \$300.00 per unit (subject to foreign currency rates).

- SPOT Satellite Messenger Distribution

We are distributing and selling our new SPOT satellite messenger through a variety of existing and new distribution channels. We have signed distribution agreements with a number of “Big Box” retailers and other similar distribution channels including Amazon.com, Bass Pro Shops, Best Buy Canada, Big 5 Sporting Goods, Big Rock Sports, Boater’s World, Cabela’s, Campmor, Costco, Joe’s Sport, London Drug, Outdoor and More, Gander Mountain, REI, Sportsman’s Warehouse, The Source by Circuit City dealers, Wal-Mart.com, West Marine, DBL Distribution, D.H. Distributions, and CWR Electronics. We have achieved our objective to sell SPOT satellite messenger products through approximately 5,000 distribution points and expect to reach 10,000 in 2009. We also intend to sell directly using our existing sales force into key vertical markets and through our direct e-commerce website (www.findmespot.com).

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SPOT satellite messenger products and services have been introduced only recently and their commercial introduction and their commercial success cannot be assured.

- *Fluctuations in interest and currency rates.* Debt under our credit agreement bears interest at a floating rate. Therefore, increases in interest rates will increase our interest costs if debt is outstanding. A substantial portion of our revenue (41% for the nine months ended September 30, 2008) is denominated in foreign currencies. In addition, a substantial majority of our obligations under the contracts for our second-generation constellation and related control network facility are denominated in Euros. The recent increase in the relative value of the U.S. dollar versus the Euro has positively affected our revenues and is expected to decrease our capital expenditures. Any future declines in the relative value of the U.S. dollar versus the Euro will have an opposite affect on our revenue and increase our capital expenditures. The recent increase in the relative value of the U.S. dollar versus the Canadian dollar has negatively affected our revenues. See “Item 3. Quantitative and Qualitative Disclosures about Market Risk” for additional information.
- *Ancillary Terrestrial Component (ATC).* ATC is the integration of a satellite-based service with a terrestrial wireless service resulting in a hybrid mobile satellite service. The ATC network would extend our services to urban areas and inside buildings in both urban and rural areas where satellite services currently are impractical. We believe we are at the forefront of ATC development and are actively working to be among the first market entrants. To that end, we are considering a range of options for rollout of our ATC services. We are exploring selective opportunities with a variety of media and communication companies to capture the full potential of our spectrum and United States ATC license.

On October 31, 2007, we entered into an agreement with Open Range Communications, Inc. that permits Open Range to deploy service in certain rural geographic markets in the United States under our ATC authority. Open Range will use our spectrum to offer dual mode mobile satellite based and terrestrial wireless WiMAX services to over 500 rural American communities. Commercial availability is expected to begin in selected markets in late 2008. The initial term of the agreement of up to 30 years is co-extensive with our ATC authority and is subject to renewal options exercisable by Open Range. Based on Open Range’s business plan used in support of its \$267 million loan under a federally authorized loan program, the fixed and variable payments to be made by Open Range over the initial term of 30 years indicate a value for this agreement between \$0.30 - \$0.40/MHz/POP. Upon the fulfillment of all contingencies, Open Range’s down payment will be \$3.6 million and annual payments in the first six years of the agreement will range from approximately \$1.2 million to \$10.3 million, assuming Open Range has the ability to use all of the licensed spectrum covered by the agreement. The amount of the payments made to us will depend on a number of factors, including the eventual geographic coverage of and the number of customers on the Open Range system. We have also agreed to make a \$5.0 million preferred equity investment in Open Range, \$3.0 million of which was made through September 30, 2008. Under the agreement Open Range will have the right to use our spectrum within the United States in the 1.6 and 2.4 MHz bands to provide terrestrial wireless broadband services. Open Range will deploy portable broadband services via a WiMAX architecture within the targeted communities. In addition, Open Range has an option to expand this relationship over the next six years. The agreement is contingent on various conditions, including receiving authority from the FCC to use an expanded portion of our licensed spectrum for ATC services and such other FCC and other governmental approvals as may be required for the agreement, and Open Range’s completion of its equity and debt financing. In March 2008, Open Range secured approval for a \$267 million broadband loan from the Department of Agriculture’s Rural Utilities Program.

In addition to our agreement with Open Range Communications, Inc., we hope to exploit additional ATC monetization strategies and opportunities in urban markets or in suburban areas that are not the subject of our agreement with Open Range. Our system is flexible enough to allow us to use different technologies and network architectures in different geographic areas.

On April 10, 2008, the FCC increased our ATC grant to a total of 19.275 MHz in our two frequency bands. The FCC’s order is now final and effective. On May 16, 2008, we filed an application with the FCC to modify our authorization by adding additional wave forms. One of these is the time division duplex (TDD) WiMAX wave form that Open Range intends to deploy. Two parties, Iridium and Sprint Nextel, filed petitions to deny our application, and we and Open Range filed our oppositions to their petitions. On October 31, 2008, the FCC granted us the authority necessary to implement our agreement with Open Range but deferred a decision on waveforms other than WiMax.

Service and Subscriber Equipment Sales Revenues. The table below sets forth amounts and percentages of our revenue by type of service and equipment sales for the three and nine months ended September 30, 2008 and 2007.

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| | Three months ended September 30, 2008 | | Three months ended September 30, 2007 | | Nine months ended September 30, 2008 | | Nine months ended September 30, 2007 | |
|---|--|-----------------------|--|-----------------------|---|-----------------------|---|-----------------------|
| | Revenue | % of Total Revenue | Revenue | % of Total Revenue | Revenue | % of Total Revenue | Revenue | % of Total Revenue |
| Service Revenue: | | | | | | | | |
| Mobile | \$ 9,976 | 44% | \$ 16,482 | 64% | \$ 33,199 | 49% | \$ 46,409 | 62% |
| Fixed | 920 | 4 | 1,389 | 6 | 2,817 | 4 | 4,383 | 6 |
| Data | 174 | 1 | 380 | 2 | 600 | 1 | 1,160 | 2 |
| Simplex | 1,838 | 8 | 570 | 2 | 4,239 | 6 | 1,730 | 2 |
| IGO | 889 | 4 | 1,340 | 5 | 2,617 | 4 | 3,145 | 4 |
| Other(1) | 2,353 | 10 | 1,102 | 4 | 5,361 | 8 | 1,886 | 3 |
| Total Service Revenue | 16,150 | 71 | 21,263 | 83 | 48,833 | 72 | 58,713 | 79 |
| Subscriber Equipment Sales: | | | | | | | | |
| Mobile | 2,043 | 9 | 2,854 | 11 | 6,383 | 9 | 9,731 | 13 |
| Fixed | 162 | 1 | 380 | 1 | 1,053 | 2 | 1,977 | 2 |
| Data and Simplex | 1,936 | 9 | 174 | 1 | 6,471 | 10 | 540 | 1 |
| Accessories | 2,234 | 10 | 1,017 | 4 | 4,918 | 7 | 3,718 | 5 |
| Total Subscriber Equipment Sales | 6,375 | 29 | 4,425 | 17 | 18,825 | 28 | 15,966 | 21 |
| Total Revenue | \$ 22,525 | 100% | \$ 25,688 | 100% | \$ 67,658 | 100% | \$ 74,679 | 100% |

(1) Includes engineering services and activation fees

Operating Loss. We realized an operating loss of \$41.1 million for the nine months ended September 30, 2008 compared to an operating loss of \$16.8 million for the same period in 2007. This increased loss can be attributed primarily to lower service revenues and higher depreciation expense, non-cash executive compensation expense related to a change in compensation from cash to restricted stock, advertising and marketing expense, as well as higher cost of services. Lower service revenue was a result of lower price service plans introduced to maintain our subscriber base despite two-way communication issues affecting our two-way service during the first nine months of 2008. The higher depreciation expense resulted from placing all eight of our recently launched spare satellites into service. The higher advertising expense resulted from the launch of our SPOT satellite messenger product and services.

Subscribers and ARPU for the three and nine months ended September 30, 2008 and 2007. Average number of subscribers and ARPU for retail, IGO and Simplex customers for the three and nine months ended September 30, 2008 and 2007 are presented below. The following numbers are subject to immaterial rounding inherent in calculating averages.

| | Three months ended September 30, | | | Nine months ended September 30, | | |
|--|-------------------------------------|----------|-----------------|------------------------------------|----------|-----------------|
| | 2008 | 2007 | % Net Change | 2008 | 2007 | % Net Change |
| Average number of subscribers for the period: | | | | | | |
| Retail | 119,222 | 122,880 | (3)% | 178,448 | 185,403 | (4)% |
| IGO | 76,101 | 91,780 | (17) | 120,488 | 135,476 | (11) |
| Simplex | 127,328 | 66,805 | 91 | 161,802 | 91,121 | 78 |
| ARPU (monthly): | | | | | | |
| Retail | \$ 35.32 | \$ 48.41 | (27) | \$ 37.34 | \$ 46.21 | (19) |
| IGO | \$ 3.89 | \$ 4.87 | (20) | \$ 3.62 | \$ 3.87 | (6) |
| Simplex | \$ 4.85 | \$ 2.84 | 71 | \$ 4.36 | \$ 3.16 | 38 |

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| | September 30, 2008 | September 30, 2007 | % Net Change |
|--------------------------------------|-----------------------|-----------------------|-----------------|
| Ending number of subscribers: | | | |
| Retail | 118,802 | 121,342 | (2)% |
| IGO | 74,272 | 92,276 | (20) |
| Simplex | 136,314 | 71,650 | 90 |
| Total | <u>329,388</u> | <u>285,268</u> | <u>16%</u> |

The total number of net subscribers increased from approximately 285,000 at September 30, 2007 to approximately 329,000 at September 30, 2008. Although we experienced a net increase in our total customer base of 15% from September 30, 2007 to September 30, 2008, our total service revenue decreased for the same period. This is due primarily to lower contributions from subscribers in addition to the change in our subscriber mix.

Independent Gateway Acquisition Strategy

Currently, 13 of the 26 gateways in our network are owned and operated by unaffiliated companies, which we call independent gateway operators, some of whom operate more than one gateway. We have no financial interest in these independent gateway operators other than arms' length contracts for wholesale minutes of service. Some of these independent gateway operators have been unable to grow their businesses adequately due in part to limited resources. Old Globalstar initially developed the independent gateway operator acquisition strategy to establish operations in multiple territories with reduced demands on its capital. In addition, there are territories in which for political or other reasons, it is impractical for us to operate directly. We sell services to the independent gateway operators on a wholesale basis and they resell them to their customers on a retail basis.

We have acquired, and intend to continue to pursue the acquisition of, independent gateway operators when we believe we can do so on favorable terms and the current independent operator has expressed a desire to sell its assets to us, subject to capital availability. We believe that these acquisitions can enhance our results of operations in three respects. First, we believe that, with our greater financial and technical resources, we can grow our subscriber base and revenue faster than some of the independent gateway operators. Second, we realize greater margin on retail sales to individual subscribers than we do on wholesale sales to independent gateway operators. Third, we believe expanding the territory we serve directly will better position us to market our services directly to multinational customers who require a global communications provider.

However, acquisitions of independent gateway operators do require us to commit capital for acquisition of their assets, as well as management resources and working capital to support the gateway operations, and therefore increase our risk in operating in these territories directly rather than through the independent gateway operators. In addition, operating the acquired gateways increases our marketing, general and administrative expenses. Our credit agreement limits to \$25.0 million the aggregate amount of cash we may invest in foreign acquisitions without the consent of our lender.

In March 2008, we acquired an independent gateway operator that owns three satellite gateway ground stations in Brazil for \$6.5 million. We also incurred transaction costs of \$0.2 million related to this acquisition. The purchase price was paid primarily in our Common Stock. We are unable to predict the timing or cost of further acquisitions because independent gateway operations vary in size and value.

Performance Indicators

Our management reviews and analyzes several key performance indicators in order to manage our business and assess the quality of 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 unit, 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 of our retail, IGO and Simplex businesses;
- operating income, which is an indication of our performance;

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- earnings before interest, taxes, depreciation and amortization, or EBITDA, which is an indicator of our financial performance; and
- capital expenditures, which are an indicator of future revenue growth potential and cash requirements.

Seasonality

Our results of operations are subject to seasonal usage changes. April through October are typically our peak months for service revenues and equipment sales. Government customers in North America tend to use our services during summer months, often in support of relief activities after events such as hurricanes, forest fires and other natural disasters.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires us to make estimates and judgments that affect our revenues and expenses for the periods reported and the reported amounts of our assets and liabilities, including contingent assets and liabilities, as of the date of the financial statements. We evaluate our estimates and judgments, including those related to revenue recognition, inventory, long-lived assets, income taxes, pension obligations, derivative instruments and stock-based compensation, on an on-going basis. We base our estimates and judgments on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. We believe the following accounting policies are most important to understanding our financial results and condition and require complex or subjective judgments and estimates.

Revenue Recognition

Customer activation fees are deferred and recognized over four to five year periods, which approximates the estimated average life of the customer relationship. We periodically evaluate the estimated customer relationship life. Historically, changes in the estimated life have not been material to our financial statements.

Monthly access fees billed to retail customers and resellers, representing the minimum monthly charge for each line of service based on its associated rate plan, are billed on the first day of each monthly bill cycle. Airtime minute fees in excess of the monthly access fees are billed in arrears on the first day of

each monthly billing cycle. To the extent that billing cycles fall during the course of a given month and a portion of the monthly services has not been delivered at month end, fees are prorated and fees associated with the undelivered portion of a given month are deferred. Under our annual plans, where customers prepay for minutes, revenue is deferred until the minutes are used or the prepaid time period expires. Unused minutes are accumulated until they expire, usually one year after activation. In addition, we offer an annual plan called the Emergency Plan under which the customer is charged an annual fee to access our system and for each minute used. The annual fee for an Emergency Plan is recognized as revenue on a straight-line basis over the term of the plan.

Occasionally we have granted to customers credits which are expensed or charged against deferred revenue when granted.

Subscriber acquisition costs include items such as dealer commissions, internal sales commissions and equipment subsidies and are expensed at the time of the related sale.

We also provide certain engineering services to assist customers in developing new technologies related to our system. The revenues associated with these services are recorded when the services are rendered, and the expenses are recorded when incurred.

We own and operate our satellite constellation and earn a portion of our revenues through the sale of airtime minutes on a wholesale basis to independent gateway operators. Revenue from services provided to independent gateway operators is recognized based upon airtime minutes used by their customers and contractual fee arrangements. If collection is uncertain, revenue is recognized when cash payment is received.

We introduced annual plans (sometimes called Liberty Plans) in August 2004 and broadened their availability during the second quarter of 2005. These plans grew substantially in 2005 and 2006. These plans require users to pre-pay usage charges for the entire plan period, generally 12 months, which results in the deferral of certain of our revenues. Under our revenue recognition policy for annual plans, we defer revenue until the earlier of when the minutes are used or when these minutes expire. Any unused minutes are recognized as revenue at the expiration of a plan. Most of our customers have not used all the minutes that are available to them or have not used them at the pace anticipated, which has caused us to defer a portion of our service revenue.

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During the second quarter of 2007, we introduced an unlimited airtime usage service plan (called the Unlimited Loyalty Plan) which allows existing and new customers to use unlimited satellite voice minutes for anytime calls for a fixed monthly fee. The unlimited loyalty plan incorporates a declining monthly price schedule that reduces the fixed monthly fee at the completion of each calendar year through the duration of the customer agreement, which ends on June 30, 2010. Customers have an option to extend their customer agreement by one year at the fixed monthly price. We record revenue for this plan monthly based on a straight line average derived by computing the total fees charged over the term of the customer agreement and dividing it by the number of the months. If a customer cancels prior to the ending date of the customer agreement, the balance in deferred revenue is recognized as revenue. At September 30, 2008 and December 31, 2007, our deferred revenue aggregated approximately \$20.9 million (with \$1.2 million included in non-current liabilities) and \$20.4 million (with \$1.0 million included in non-current liabilities), respectively.

Subscriber equipment revenue represents the sale of fixed and mobile user terminals and accessories. Revenue is recognized upon shipment provided title and risk of loss have passed to the customer, persuasive evidence of an arrangement exists, the fee is fixed and determinable and collection is probable.

In December 2002, the Emerging Issues Task Force (“EITF”) reached a consensus on EITF Issue No. 00-21, “Revenue Arrangements with Multiple Deliverables.” EITF Issue No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. In some arrangements, the different revenue-generating activities (deliveries) are sufficiently separable and there exists sufficient evidence of their fair values to account separately for some or all of the deliveries (that is, there are separate units of accounting). In other arrangements, some or all of the deliveries are not independently functional, or there is not sufficient evidence of their fair values to account for them separately. EITF Issue No. 00-21 addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF Issue No. 00-21 does not change otherwise applicable revenue recognition criteria.

Inventory

Inventory consists of purchased products, including fixed and mobile user terminals, accessories and gateway spare parts. Inventory is stated at the lower of cost or market. At the end of each quarter, product sales and returns from the previous twelve months are reviewed and any excess and obsolete inventory is written off. Cost is computed using the first-in, first-out (FIFO) method. Inventory allowances for inventories with a lower market value or that are slow moving are recorded in the period of determination.

Globalstar System, Property and Equipment

Our Globalstar System assets include costs for the design, manufacture, test and launch of a constellation of low earth orbit satellites, including satellites previously held as ground spares which we launched in May and October 2007, which we refer to as the space segment, and primary and backup terrestrial control centers and gateways, which we refer to as the ground segment. Loss from an in-orbit failure of a satellite is recognized as an expense in the period it is determined that the satellite is not recoverable. We regard these recently launched satellites as part of the second-generation constellation which will be supplemented by the 48 second-generation satellites currently being constructed. These 48 second-generation satellites will have an estimated in-orbit life of 15 years.

The carrying value of the Globalstar System components is reviewed for impairment whenever events or changes in circumstances indicate that the recorded value of the space segment and ground segment, may not be recoverable. We look to current and future undiscounted cash flows, excluding financing costs, as primary indicators of recoverability. If an impairment is determined to exist, any related impairment loss is calculated based on fair value. We believe our two-way telecommunications services, or Duplex services, after the launch of our second-generation constellation, and Simplex services will generate sufficient undiscounted cash flow after our second-generation system becomes fully operational, which is expected to be sometime in 2010, to justify our carrying value for our second-generation costs.

The satellites previously recorded as spare satellites and subsequently incorporated into the Globalstar System on the date the satellite is placed into service (the “In-Service Date”) are being depreciated over an estimated life of eight years beginning on the satellite’s “In-Service Date.”

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Property and equipment acquired by us on December 5, 2003 in the Old Globalstar bankruptcy proceedings was recorded based on our allocation of acquisition cost. Because the acquisition cost of these assets was substantially below their historic cost or replacement cost, current depreciation and amortization costs have been reduced substantially for GAAP purposes, thereby increasing net income or decreasing net loss. As we increase our capital expenditures, especially to procure and launch our second-generation satellite constellation, we expect GAAP depreciation to increase substantially. Depreciation is provided using the straight-line method over the estimated useful lives. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the improvement or the term of the lease. We perform ongoing evaluations of the estimated useful lives of our property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. Maintenance and repair items are expensed as incurred.

Income Taxes

Until January 1, 2006, we were treated as a partnership for U.S. tax purposes. Generally, our taxable income or loss, deductions and credits were passed through to our members. We did have some corporate subsidiaries that required a tax provision or benefit using the asset and liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Effective January 1, 2006, we elected to be taxed as a C corporation in the United States. When an enterprise changes its tax status from non-taxable to taxable, under SFAS No. 109 the effect of recognizing deferred tax assets and liabilities is included in income from continuing operations in the period of change. As a result, we recognized a gross deferred tax asset of \$204.2 million and a gross deferred tax liability of \$0.1 million on January 1, 2006. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors including the expected level of future taxable income and available tax planning strategies. We determined that it was more likely than not that we would not recognize the entire deferred tax asset; therefore, we established a valuation allowance of \$182.7 million, resulting in recognition of a net deferred tax benefit of \$21.4 million. At September 30, 2008, we determined, based on our evaluation of current evidence and its effect on our estimate of future taxable income that it was necessary to provide a full valuation allowance against our Canadian subsidiary's deferred tax assets. Accordingly, we increased our deferred tax valuation allowance by \$2.1 million with respect to our deferred tax assets. We monitor the situation to ensure that, if and when we are more likely than not to be able to utilize more of the deferred tax asset, we will be able to reduce the valuation allowance accordingly. On January 1, 2007, we adopted Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). See Note 7 to our unaudited interim consolidated financial statements for the impact of this adoption on our financial statements.

Spare Satellites and Related Launch Costs, Second-Generation Satellites and Launch Costs and Ground Segment

Old Globalstar purchased eight additional satellites in 1998 for \$148.0 million (including performance incentives of up to \$16.0 million) to serve as on-ground spares. Costs of \$147.0 million (including a portion of the performance incentives) were previously recognized for these spare satellites. Prior to December 5, 2003, Old Globalstar recorded an impairment of these assets, and at December 5, 2003 they were carried at \$0.9 million. The eight spare satellites were launched successfully in two separate launches of four satellites each in May 2007 and October 2007. Depreciation of these assets began when the satellites were placed in service and began to handle call traffic. As of September 30, 2008, all eight satellites were in service. As of December 31, 2007, the spare satellites not in service were recorded at \$47.8 million. The amount relating to spare satellites that were placed into service during the three and nine months ended September 30, 2008 (approximately zero and \$48.0 million, respectively), was classified within the Globalstar System as part of the space segment. These satellites are being depreciated over an estimated useful life of eight years.

In November 2006, we entered into a contract with Thales Alenia Space to construct 48 low-earth orbit satellites. We entered into an additional agreement with Thales Alenia Space in March 2007 for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for our second-generation satellite constellation.

In September 2007, we and our Launch Provider entered into an agreement for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the agreement, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. For further discussion, see Note 4 of the unaudited interim consolidated financial statements in Part I of this Report.

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On May 14, 2008, we entered into a contract with Hughes under which Hughes will design, supply and implement the Radio Access Network ("RAN") ground network equipment and software upgrades for installation at a number of our satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in our various next-generation Globalstar devices. The total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. We have the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices.

On October 8, 2008, we signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. According to the \$22.7 million contract, Ericsson will work with us to develop, implement and maintain a ground interface, or core network, system that will be installed at our satellite gateway ground stations. The all Internet protocol (IP) based core network system is wireless 3G/4G compatible and will link our radio access network to the public-switched telephone network (PSTN) and/or Internet. Design of the new core network system is now underway.

The depreciation of these assets will begin once the assets are completed and placed into service.

Pension Obligations

We have a company-sponsored retirement plan covering certain current and past U.S.-based employees. Until June 1, 2004, substantially all of Old Globalstar's and our employees and retirees who participated and/or met the vesting criteria for the plan were participants in the Retirement Plan of Space Systems/Loral, Inc. (the "Loral Plan"), a defined benefit pension plan. The accrual of benefits in the Old Globalstar segment of the Loral Plan was curtailed, or frozen, by the administrator of the Loral Plan as of October 23, 2003. Prior to October 23, 2003, benefits for the Loral Plan were generally based upon

compensation, length of service with the company and age of the participant. On June 1, 2004, the assets and frozen pension obligations of the segment attributable to our employees were transferred into a new Globalstar Retirement Plan (the "Globalstar Plan"). The Globalstar Plan remains frozen and participants are not currently accruing benefits beyond those accrued as of October 23, 2003. Our funding policy is to fund the Globalstar Plan in accordance with the Internal Revenue Code and regulations.

We account for our defined benefit pension and life insurance benefit plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions," ("SFAS 87"), SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other than Pensions," ("SFAS 106") and SFAS No. 158, "Employers' Accounting Defined Benefit Pension and Other Postretirement Plans," ("SFAS 158") which require that amounts recognized in financial statements be determined on an actuarial basis. We adopted the recognition and disclosure provisions of SFAS No. 158 on December 31, 2006 and this adoption did not have any impact on our results of operation. Pension benefits associated with these plans are generally based on each participant's years of service, compensation, and age at retirement or termination. Two critical assumptions, the discount rate and the expected return on plan assets, are important elements of expense and liability measurement.

We determine the discount rate used to measure plan liabilities as of the December 31 measurement date for the U.S. pension plan. The discount rate reflects the current rate at which the associated liabilities could be effectively settled at the end of the year. In estimating this rate, we look at rates of return on fixed-income investments of similar duration to the liabilities in the plan that receive high, investment grade ratings by recognized ratings agencies. Using these methodologies, we determined a discount rate of 6.00% to be appropriate as of December 31, 2007, which is an increase of 0.25 percentage points from the rate used as of December 31, 2006. An increase of 1.0% in the discount rate would have decreased our plan liabilities as of December 31, 2007 by \$1.4 million and a decrease of 1.0% could have increased our plan liabilities by \$1.7 million.

A significant element in determining our pension expense in accordance with SFAS No. 158 is the expected return on plan assets, which is based on historical results for similar allocations among asset classes. For the U.S. pension plan, our assumption for the expected return on plan assets was 7.5% for 2007.

The difference between the expected return and the actual return on plan assets is deferred and, under certain circumstances, amortized over future years of service. Therefore, the net deferral of past asset gains (losses) ultimately affects future pension expense. This is also true of changes to actuarial assumptions. As of December 31, 2007, we had net unrecognized pension actuarial losses of \$1.7 million. These amounts represent potential future pension and postretirement expenses that would be amortized over average future service periods.

Derivative Instrument

We utilize a derivative instrument in the form of an interest rate swap agreement to minimize our risk from interest rate fluctuations related to our variable rate credit agreement. We use the interest rate swap agreement to manage risk and not for trading or other speculative purposes. At the end of each accounting period, we record the derivative instrument on our balance sheet as either an asset or a liability measured at fair value. The interest rate swap agreement does not qualify for hedge accounting treatment. Changes in the fair value of the interest rate swap agreement are recognized as "Interest rate derivative gain (loss)" over the life of the agreement. We provide collateral in the form of cash and securities equal to any negative value of the interest rate swap agreement.

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Stock-Based Compensation

Effective January 1, 2006, as a result of our initial public offering, we adopted the provisions of Statement of Financial Accounting Standards 123(R), "Share-Based Payment" ("SFAS 123(R)"), and related interpretations, or SFAS 123(R), to account for stock-based compensation using the modified prospective transition method and therefore have not restated our prior period results. Among other things, SFAS 123(R) requires that compensation expense be recognized in the financial statements for both employee and non-employee share-based awards based on the grant date fair value of those awards.

Additionally, stock-based compensation expense includes an estimate for pre-vesting forfeitures and is recognized over the requisite service periods of the awards on a straight-line basis, which is generally commensurate with the vesting term.

Results of Operations

Comparison of Results of Operations for the Three Months Ended September 30, 2008 and 2007 (in thousands):

| | Three months ended September 30, | | % Change |
|--|-------------------------------------|-----------|----------|
| | 2008 | 2007 | |
| Revenue: | | | |
| Service revenue | \$ 16,150 | \$ 21,263 | (24)% |
| Subscriber equipment sales | 6,375 | 4,425 | 44 |
| Total revenue | 22,525 | 25,688 | (12) |
| Operating expenses: | | | |
| Cost of services (exclusive of depreciation and amortization shown separately below) | 10,452 | 7,307 | 43 |
| Cost of subscriber equipment sales: | | | |
| Cost of subscriber equipment sales | 4,942 | 3,390 | 46 |
| Cost of subscriber equipment sales – Impairment of assets | — | — | — |
| Total cost of subscriber equipment sales | 4,942 | 3,390 | 46 |
| Marketing, general and administrative | 17,372 | 12,069 | 44 |
| Depreciation and amortization | 7,196 | 3,264 | 120 |
| Total operating expenses | 39,962 | 26,030 | 54 |

| | | | |
|-----------------------------------|--------------------|---------------|-------------|
| Operating loss | (17,437) | (342) | 4,999 |
| Other income (expense): | | | |
| Interest income | 1,474 | 734 | 101 |
| Interest expense | (1,285) | (341) | 277 |
| Interest rate derivative loss | (229) | (2,297) | (90) |
| Other income (expense) | (6,587) | 3,827 | N/A |
| Total other income (expense) | (6,627) | 1,923 | N/A |
| Income (loss) before income taxes | (24,064) | 1,581 | N/A |
| Income tax expense | 2,039 | 929 | 119 |
| Net income (loss) | <u>\$ (26,103)</u> | <u>\$ 652</u> | <u>N/A%</u> |

Revenue. Total revenue decreased by \$3.2 million, or approximately 12%, to \$22.5 million for the three months ended September 30, 2008, from \$25.7 million for the three months ended September 30, 2007. This decrease is attributable to lower service revenue which, we believe, stems from lower price service plans introduced in order to maintain our subscriber base despite our two-way communication issues. This resulted in a reduction in our retail ARPU during the three months ended September 30, 2008, which decreased by approximately 27% to \$35.32 from \$48.41 for the three months ended September 30, 2007.

Service Revenue. Service revenue decreased \$5.1 million, or approximately 24%, to \$16.2 million for the three months ended September 30, 2008, from \$21.3 million for the three months ended September 30, 2007. Our overall subscriber base grew 15% to approximately 329,000 over the twelve-month period from September 30, 2007 to September 30, 2008. All of such growth resulted from an increase in the number of our Simplex customers. However, we experienced decreased retail ARPU for the three months ended September 30, 2008 compared to the same period in 2007.

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We believe that the two-way communication issues we first reported in February 2007 and related price reductions, as well as a change in the mix of our subscriber base, were the reasons for this reduction. This was partially offset by increases in our Simplex ARPU during the three months ended September 30, 2008 compared to the same period in 2007. The increase in our Simplex ARPU was due to introduction of SPOT satellite messenger services during the fourth quarter of 2007.

Subscriber Equipment Sales. Subscriber equipment sales increased by \$2.0 million, or approximately 44%, to \$6.4 million for the three months ended September 30, 2008, from \$4.4 million for the three months ended September 30, 2007. This increase is attributable to the sales of our SPOT satellite messenger product in the third quarter of 2008.

Operating Expenses. Total operating expenses increased approximately \$13.9 million, or approximately 54%, from \$26.0 million for the three months ended September 30, 2007 to \$40.0 million for the three months ended September 30, 2008. This increase was due to higher costs related to our SPOT satellite messenger product and services, expenses related to the construction of our ground segment, higher bad debt expense, expenses from our recently acquired subsidiary in Brazil, and higher depreciation expense as a result of all eight of our spare satellites being in service in the quarter ended September 30, 2008.

Cost of Services. Our cost of services for the three months ended September 30, 2008 and 2007 were \$10.5 million and \$7.3 million, respectively. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase in the cost of services during the three months ended September 30, 2008 is primarily due to expenses related to the construction of our ground segment.

Cost of Subscriber Equipment Sales. Cost of subscriber equipment sales increased approximately \$1.6 million, or approximately 46%, from \$3.4 million for the three months ended September 30, 2007 to \$4.9 million for the three months ended September 30, 2008. This increase was due to increased sales of our SPOT satellite messenger products in the quarter ended September 30, 2008. Sales of SPOT satellite messenger products commenced in the fourth quarter of 2007.

Marketing, General and Administrative. Marketing, general and administrative expenses increased \$5.3 million, or approximately 44%, from \$12.1 million for the three months ended September 30, 2007 to \$17.4 million for the three months ended September 30, 2008. This increase was due primarily to increased advertising and marketing costs related to our SPOT satellite messenger product and services, expenses from our recently acquired subsidiary in Brazil, and increased bad debt expense.

Depreciation and Amortization. Depreciation and amortization expense increased \$3.9 million, or approximately 120%, from \$3.3 million for the three months ended September 30, 2007 to \$7.2 million for the three months ended September 30, 2008. This increase was due primarily to the additional depreciation associated with placing all eight of our recently-launched spare satellites into service.

Operating Loss. Our operating loss of \$17.4 million for the three months ended September 30, 2008, increased \$17.1 million from an operating loss of \$0.3 million for the three months ended September 30, 2007. The increased loss was due to lower retail ARPU as a consequence of our two-way communication issues in 2008 and the change in our subscriber base. Higher advertising and marketing costs and higher depreciation expense associated with all eight of our spare satellites being in service also contributed to our operating loss during the three months ended September 30, 2008.

Interest Income. Interest income increased by \$0.7 million for the three months ended September 30, 2008. This increase was due to increased cash balances on hand.

Interest Expense. Interest expense increased by approximately \$0.9 million from \$0.3 million for the three months ended September 30, 2007, to \$1.3 million for the three months ended September 30, 2008. This increase was primarily due to higher levels of debt outstanding during the second quarter of 2008.

Interest Rate Derivative Loss. Interest rate derivative loss decreased by \$2.1 million from \$2.3 million for three months ended September 30, 2007 to \$0.2 million for the three months ended September 30, 2008. This decrease was due to an increase in the fair value of our interest rate swap agreement

liability.

Other Income (Expense). Other income (expense) generally consists of foreign exchange transaction gains and losses. Other expense increased by \$10.4 million for the three months ended September 30, 2008 as compared to the same period in 2007, primarily as a result of the unfavorable exchange rate on the Euro denominated escrow account for our second-generation constellation procurement contract resulting from the appreciation of the U.S. dollar vis-à-vis the Euro.

Income Tax Expense. Income tax expense for the three months ended September 30, 2008 was \$2.0 million compared to \$0.9 million during the same period in 2007. This was due primarily to recording an increase in the valuation allowance against our Canadian subsidiary's deferred tax asset during the three months ended September 30, 2008.

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Net Income (Loss). Our net income decreased \$26.8 million from a net income of \$0.7 million for the three months ended September 30, 2007 to a net loss of \$26.1 million for the three months ended September 30, 2008. This decrease was due to lower retail ARPU as a consequence of our two-way communication issues. Furthermore, we experienced higher advertising, marketing, and depreciation expenses, and higher expenses from our recently acquired subsidiary in Brazil, during the three months ended September 30, 2008.

Comparison of Results of Operations for the Nine Months Ended September 30, 2008 and 2007 (in thousands):

| | Nine months ended September 30, | | % Change |
|--|------------------------------------|--------------------|-------------|
| | 2008 | 2007 | |
| Revenue: | | | |
| Service revenue | \$ 48,833 | \$ 58,713 | (17)% |
| Subscriber equipment sales | 18,825 | 15,966 | 18 |
| Total revenue | <u>67,658</u> | <u>74,679</u> | <u>(9)</u> |
| Operating expenses: | | | |
| Cost of services (exclusive of depreciation and amortization shown separately below) | 26,534 | 20,428 | 30 |
| Cost of subscriber equipment sales: | | | |
| Cost of subscriber equipment sales | 14,050 | 11,398 | 23 |
| Cost of subscriber equipment sales – Impairment of assets | 404 | 17,255 | (98) |
| Total cost of subscriber equipment sales | <u>14,454</u> | <u>28,653</u> | <u>(50)</u> |
| Marketing, general and administrative | 48,602 | 34,185 | 42 |
| Depreciation and amortization | 19,135 | 8,225 | 133 |
| Total operating expenses | <u>108,725</u> | <u>91,491</u> | <u>19</u> |
| Operating loss | (41,067) | (16,812) | 144 |
| Other income (expense): | | | |
| Interest income | 4,407 | 2,253 | 96 |
| Interest expense | (2,754) | (1,037) | 166 |
| Interest rate derivative loss | (25) | (751) | (97) |
| Other income (expense) | 1,587 | 4,874 | (67) |
| Total other income (expense) | <u>3,215</u> | <u>5,339</u> | <u>(40)</u> |
| Loss before income taxes | (37,852) | (11,473) | 230 |
| Income tax expense | 2,234 | 118 | 1,793 |
| Net loss | <u>\$ (40,086)</u> | <u>\$ (11,591)</u> | <u>246%</u> |

Revenue. Total revenue decreased by \$7.0 million, or approximately 9%, from \$74.7 million for the nine months ended September 30, 2007 to \$67.7 million for the nine months ended September 30, 2008. This decrease is attributable to lower service revenue which we believe stems from lower price service plans introduced in order to maintain our subscriber base despite our two-way communication issues. This resulted in a reduction in our retail ARPU during the nine months ended September 30, 2008, which decreased by 19% to \$37.34 from \$46.21 for the nine months ended September 30, 2007.

Service Revenue. Service revenue decreased \$9.9 million, or approximately 17%, from \$58.7 million for the nine months ended September 30, 2007 to \$48.8 million for the nine months ended September 30, 2008. Although our overall subscriber base grew 15% to approximately 329,000 over the twelve-month period from September 30, 2007 to September 30, 2008, we experienced decreased retail ARPU. We believe that the two-way communication issues we first reported in February 2007 and related price reductions and the change in our subscriber base were the primary reasons for this decrease.

Subscriber Equipment Sales. Subscriber equipment sales increased by approximately \$2.9 million, or approximately 18%, from \$16.0 million for the nine months ended September 30, 2007 to \$18.8 million for the nine months ended September 30, 2008. This increase is attributable to the sales of our SPOT satellite messenger product.

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Operating Expenses. Total operating expenses increased \$17.2 million, or approximately 19%, from \$91.5 million for the nine months ended September 30, 2007 to \$108.7 million for the nine months ended September 30, 2008. This increase was due to costs related to the launch of our new SPOT satellite messenger product and services, higher depreciation expense as a result of placing all eight of our spare satellites into service, and higher non-cash

stock compensation expense. Consistent with higher subscriber equipment sales, higher costs of subscriber equipment also contributed to the increase in operating expenses for the nine months ended September 30, 2008.

Cost of Services. Our cost of services for the nine months ended September 30, 2008 and 2007 were \$26.5 million and \$20.4 million, respectively. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase in the cost of services during the nine months ended September 30, 2008 is due to higher non-cash executive incentive compensation costs resulting from the change in our Executive Incentive Compensation Plan in August 2007, and expenses related to the construction of our ground segment. Furthermore, the expenses from our recently acquired subsidiary in Brazil also contributed to the increase.

Cost of Subscriber Equipment Sales. Cost of subscriber equipment sales decreased \$14.2 million, or approximately 50%, from \$28.7 million for the nine months ended September 30, 2007 to \$14.5 million for the nine months ended September 30, 2008. This decrease was due primarily to the asset impairment charge of \$17.3 million that we recognized in 2007, which was not repeated in 2008, and which was partially offset by higher equipment sales in the nine months ended September 30, 2008 as compared to the same period in 2007 resulting from sales of our new SPOT satellite messenger product.

Marketing, General and Administrative. Marketing, general and administrative expenses increased \$14.4 million, or approximately 42%, from \$34.2 million for the nine months ended September 30, 2007 to \$48.6 million for the nine months ended September 30, 2008. This increase was due primarily to higher non-cash executive compensation costs resulting from the change in the Executive Incentive Compensation Plan, increased advertising and marketing costs related to the sales of our new SPOT satellite messenger product and services, as well as higher costs by our Brazilian subsidiary, which was acquired in March, 2008, and increased bad debt expenses.

Depreciation and Amortization. Depreciation and amortization expense increased approximately \$10.9 million, or approximately 133%, from \$8.2 million for the nine months ended September 30, 2007 to \$19.1 million for the nine months ended September 30, 2008. This increase was due primarily to the additional depreciation associated with placing all eight of our spare satellites into service.

Operating Loss. Our operating loss of \$41.1 million for the nine months ended September 30, 2008, increased approximately \$24.3 million from an operating loss of \$16.8 million for the nine months ended September 30, 2007. The increase was due to lower retail ARPU as a consequence of our two-way communication issues and change in subscriber base mix, higher non-cash executive incentive compensation, higher advertising and marketing costs, higher depreciation expense associated with placing all eight of our spare satellites into service, and expenses from our recently acquired subsidiary in Brazil.

Interest Income. Interest income increased by \$2.2 million for the nine months ended September 30, 2008. This increase was due to increased cash balances on hand.

Interest Expense. Interest expense increased by \$1.7 million, to \$2.8 million for the nine months ended September 30, 2008 from \$1.0 million for the nine months ended September 30, 2007. This increase was primarily due to higher levels of debt outstanding during the first nine months of 2008.

Interest Rate Derivative Loss. Interest rate derivative loss decreased by \$0.7 million to less than \$0.1 million for the nine months ended September 30, 2008 from \$0.8 million for nine months ended September 30, 2007. This decrease was due to change in the fair value of our interest rate swap agreement.

Other Income (Expense). Other income (expense) generally consists of foreign exchange transaction gains and losses. Other income decreased by \$3.3 million for the nine months ended September 30, 2008 as compared to the same period in 2007 primarily as a result of the unfavorable exchange rate on the Euro denominated escrow account for our second-generation constellation procurement contract resulting from the increase of the U.S. dollar vis-à-vis the Euro.

Income Tax Expense. Income tax expense for the nine months ended September 30, 2008 was \$2.2 million compared to \$0.1 million during the same period in 2007. This was due primarily to the absence in the first nine months of 2008 of the impairment charge recognized during the nine months ended September 30, 2007, and a valuation allowance on our Canadian subsidiary's deferred tax assets recognized during the three months ended September 30, 2008.

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Net Loss. Our net loss increased \$28.5 million to a loss of \$40.1 million for the nine months ended September 30, 2008 from a net loss of \$11.6 million for the nine months ended September 30, 2007. This increase was due to lower retail ARPU as a consequence of our two-way communication issues and higher non-cash executive incentive compensation, advertising, marketing and depreciation expenses, as well as the expenses from our recently acquired subsidiary in Brazil during the nine months ended September 30, 2008.

Liquidity and Capital Resources

The following table shows our cash flows from operating, investing, and financing activities for the nine months ended September 30, 2008 and 2007:

| | Nine Months Ended September 30, 2008 | Nine Months Ended September 30, 2007 |
|--|---|---|
| Net cash from (used in) operating activities | \$ (25,974) | \$ (11,611) |
| Net cash from (used in) investing activities | (227,688) | (128,503) |
| Net cash from financing activities | 230,279 | 138,449 |
| Effect of exchange rate changes on cash | (1,234) | (5,694) |
| Net decrease in cash and cash equivalents | <u>\$ (24,617)</u> | <u>\$ (7,359)</u> |

Currently, our principal sources of liquidity are our credit agreement with Thermo Funding and our existing cash.

At November 1, 2008, our principal short-term liquidity needs were:

- to make payments to procure our second-generation satellite constellation and construct the Control Network Facility in a total amount not yet determined, but which will include approximately €123.3 million (approximately \$178.2 million at a conversion rate of €1.00 = \$1.4449 at September 30, 2008) payable to Thales Alenia Space by September 30, 2009 under the purchase contract for our second-generation satellites. The amount payable to Thales Alenia Space by September 30, 2009 under the contract for construction of the Control Network Facility is approximately €2.4 million (approximately \$3.5 million at €1.00 = \$1.4449);
- to make payments related to our launch for the second-generation satellite constellation in the amount of \$85.4 million payable to our launch provider by September 30, 2009;
- to make payments related to the construction of our second-generation ground segment in the amount of \$15.0 million by September 30, 2009; and
- to fund our working capital (\$11.5 million at September 30, 2008).

We do not believe our liquidity sources at September 30, 2008 are sufficient to fund our short-term needs without additional debt or equity financing or access to our restricted cash balance reserved for making payments under our second-generation satellite construction contract.

During the nine months ended September 30, 2008 and the year ended December 31, 2007, our principal sources of liquidity were:

| Dollars in millions | Nine Months Ended September 30, 2008 | | Year Ended December 31, 2007 | |
|--|---|-------|---------------------------------|-------|
| Cash on-hand at beginning of period | \$ | 12.9 | \$ | 43.7 |
| Net proceeds from Convertible Senior Notes | \$ | 119.6 | \$ | — |
| Borrowings under Thermo Funding credit agreement | \$ | 135.0 | \$ | 50.0 |
| Purchase of Common Stock by Thermo Funding | \$ | — | \$ | 152.7 |

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We expect to fund our short-term liquidity requirements from the following sources:

- cash from our revolving credit agreement with Thermo (\$15.0 million at September 30, 2008 which we borrowed in October 2008);
- cash on hand (\$12.9 million at September 30, 2008);
- cash in our escrow account (\$72.8 million at September 30, 2008), which will be used periodically to pay down our obligation to Thales Alenia Space or, if permitted, for operating purposes; and
- the incurrence of additional indebtedness, additional equity financings or a combination thereof.

We may not be able to meet these expectations. Currently, we are exploring many financing options, but we have not obtained any commitments and we cannot give you any assurance that these efforts will be successful.

Our principal long-term liquidity needs are:

- to pay the costs of procuring and deploying our second-generation satellite constellation and upgrading our gateways and other ground facilities;
- to fund our working capital, including any growth in working capital required by growth in our business; and
- to fund the cash requirements of our independent gateway operator acquisition strategy, in an amount not determinable at this time.

We expect to fund our long-term capital needs with cash flow from operations anticipated in future periods, which we expect will be generated primarily from sales of our Simplex products and services, including our new SPOT products and services, potential ATC monetization strategies and the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds. See “Capital Expenditures” below and “Part I, Item 1A. Risk Factors—We must generate significant cash flow from operations and have to raise additional capital in order to complete our second-generation satellite constellation” in our Annual Report on Form 10-K for the year ended December 31, 2007. See Note 13 to the unaudited interim consolidated financial statements.

Our liquidity and our ability to fund these needs will depend on achieving substantial growth in revenues, having positive cash flows from operations, obtaining additional financing or access to our restricted cash for operating purposes or a combination thereof, which will be subject in part to general economic, financial, regulatory and other factors, including obtaining the consent of others, that are beyond our control, including our ability to achieve positive cash flow from operations despite the problems with our satellite constellation described elsewhere, the willingness of others to invest in us and trends in our industry and technology discussed elsewhere in this Report. In addition to these general and economic and industry factors, the principal factors affecting our cash flows will be our ability to continue to provide attractive and competitive services and products, successfully manage our two-way communication issues until we can deploy our second-generation satellite constellation, increase our number of subscribers and retail average revenue per unit, control our costs, and maintain our margins and profitability. If those factors change significantly or other unexpected factors adversely affect us, our business may not generate sufficient cash flow from operations and future financings may not be available on terms acceptable to us or at all to meet our liquidity needs. In assessing our liquidity, our management reviews and analyzes our current cash on-hand, the average number of days our accounts

receivable are outstanding, the contractual rates that we have established with our vendors, inventory turns, foreign exchange rates, capital expenditure commitments and income tax rates.

Net Cash from Operating Activities

Net cash used by operating activities for the nine months ended September 30, 2008 increased to a cash outflow of \$26.0 million from a cash outflow of \$11.6 million for the nine months ended September 30, 2007. This increase was due primarily to lower collections on account balances during the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007, offset partially by lower inventory purchases.

Net Cash from Investing Activities

Cash used in investing activities was \$227.7 million for the nine months ended September 30, 2008, compared to \$128.5 million for the same period in 2007. This increase was the result of higher capital expenditures associated with construction expenses for our second-generation satellite constellation.

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Net Cash from Financing Activities

Net cash provided by financing activities increased by approximately \$91.8 million to \$230.3 million from \$138.4 million for the nine months ended September 30, 2007. The increase was primarily the result of \$119.6 million of net proceeds of the sale of Convertible Senior Notes, and \$100.0 million and \$35.0 million, respectively, of term loans and revolving credit loans borrowed from Thermo Funding under our credit agreement, in the nine months ended September 30, 2008.

Capital Expenditures

Our capital expenditures consist primarily of procurement and launch of our second-generation satellite constellation and upgrading our gateways and other ground facilities. We have completed construction of a gateway in Singapore at a total cost of approximately \$4.0 million. This gateway was fully operational for Simplex service in October 2008. Duplex service is expected to be introduced when the second-generation constellation becomes operational.

In the fourth quarter of 2006, we entered into a contract with Thales Alenia Space for our second-generation satellite constellation. The total contract price, including subsequent additions, is €669.6 million (approximately \$946.7 million at a weighted average conversion rate of €1.00 = \$1.4139 at September 30, 2008, including approximately €146.8 million which was paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940). We have made payments in the amount of approximately \$294.4 million in related costs through September 30, 2008. In addition, \$72.8 million is held in an escrow account that will be used for future payments on this contract. At our request, Thales Alenia Space has presented to us a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$9.7 million to \$19.4 million at €1.00 = \$1.4449). In 2007, we authorized the first two portions of the Thales four-part sequential plan with an additional cost of €4.1 million (\$5.9 million at €1.00 = \$1.4449). In October 2008, we authorized the third portion of the sequential plan with an additional cost of €0.9 million (\$1.3 million at €1.00 = 1.4449). We cannot assure you that the remaining acceleration will occur.

In March 2007, we entered into an agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for our second-generation satellite constellation. This agreement complements the second-generation satellite construction contract with Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.1 million (approximately \$13.1 million at a weighted average conversion rate of €1.00 = \$1.4345) consisting of €4.0 million for the Satellite Operations Control Centers, €3.1 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. We have made payments in the aggregate amount of approximately €6.7 million (approximately \$9.9 million) through September 30, 2008.

In September 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.1 million. As of September 30, 2008, we have made payments in the aggregate amount of approximately \$26.3 million associated with our launch services contract. The anticipated time period for the first four launches ranges from as early as the third quarter of 2009 through the end of 2010 and the optional launches are available from spring 2010 through the end of 2014. Prolonged delays due to postponements by us or our Launch Provider may result in adjustments to the payment schedule.

On May 14, 2008, we entered into a contract with Hughes under which Hughes will design, supply and implement the Radio Access Network ("RAN") ground network equipment and software upgrades for installation at a number of our satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in our various next-generation devices. The total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. We have the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. As of September 30, 2008, we have made payments in the aggregate amount of approximately \$4.8 million associated with this contract.

On October 8, 2008, we signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. According to the \$22.7 million contract, Ericsson will work with us to develop, implement and maintain a ground interface, or core network, system that will be installed at our satellite gateway ground stations. The

all Internet protocol (IP) based core network system is wireless 3G/4G compatible and will link our radio access network to the public-switched telephone network (PSTN) and/or Internet. Design of the new core network system is now underway. The agreement represents the final significant ground network infrastructure component for our next-generation of advanced IP-based satellite voice and data services.

The total cost for the satellites, launches and the satellite ground stations under these contracts with Thales Alenia Space, our Launch Provider, Hughes, and Ericsson are included in the estimated \$1.26 billion (which is exclusive of internal costs and capitalized interest and the majority of which is denominated in Euros) of capital expenditures which we currently anticipate will be required to procure and deploy our second-generation satellite constellation and related gateway upgrades. Since the fourth quarter of 2006, we have used portions of the proceeds from sales of Common Stock to Thermo Funding under the irrevocable standby stock purchase agreement, the proceeds from our initial public offering, the net proceeds from the sale of the Convertible Senior Notes and borrowings under our credit agreement to fund the approximately \$488.4 million (excluding internal costs and capitalized interest but including \$72.8 million which is held in escrow pursuant to the contract for the procurement of our second-generation satellite constellation to secure our payment obligations under that contract) paid through September 30, 2008. We expect to fund the balance of the capital expenditures through cash generated by our operations, which has been and is currently negative, future debt financings, deferral of payments to certain of our vendors and additional equity financings or a combination of these potential sources. The extent of our need for external capital, which we expect to be substantial, will vary depending on the success of our SPOT satellite messenger product and services and other commercial factors. This funding may not be available to us on acceptable terms, or at all.

The amount of actual and contractual capital expenditures related to the construction of the second-generation constellation and satellite operations control centers, ground segment and related costs and the launch services contracts is presented in the table below (in millions):

| Contract | Currency of Payment | Payments through September 30, 2008 | Estimated Future Payments | | | | Total |
|--|---------------------|-------------------------------------|---------------------------|----------|---------|------------|----------|
| | | | 2008 | 2009 | 2010 | Thereafter | |
| Thales Alenia Second Generation Constellation | EUR € | 217.7 | € 36.0 | € 96.0 | € 92.3 | € 227.6 | € 669.6 |
| Thales Alenia Satellite Operations Control Centers | EUR € | 6.7 | € 1.5 | € 0.9 | € — | € — | € 9.1 |
| Arianespace Launch Services | USD \$ | 26.3 | \$ — | \$ 128.6 | \$ 55.2 | \$ — | \$ 210.1 |
| Hughes second-generation ground segment | USD \$ | 4.8 | \$ 1.1 | \$ 19.1 | \$ 60.1 | \$ 15.7 | \$ 100.8 |
| Ericsson | USD \$ | — | \$ 0.5 | \$ 0.5 | \$ 5.9 | \$ 15.8 | \$ 22.7 |

The exchange rate on September 30, 2008 was €1.00 = \$1.4449. The estimated future payments do not include the interest payable on vendor financing agreements related to the Arianespace and Hughes contracts. A portion of these above costs are not considered capitalizable and will be expensed. See “Item 3 - Quantitative and Qualitative Disclosures About Market Risk.”

Cash Position and Indebtedness

As of September 30, 2008, our total cash and cash equivalents were \$12.9 million and we had total indebtedness of \$333.2 million (with \$15.0 million available under the revolving credit facility which we borrowed in October 2008), compared to total cash and cash equivalents and total indebtedness at December 31, 2007 of \$37.6 million and \$50.0 million, respectively.

Convertible Debt

On April 15, 2008, we entered into an Underwriting Agreement (the “Convertible Notes Underwriting Agreement”) with Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc. (together, the “Convertible Notes Underwriters”) relating to the sale by us of \$135.0 million aggregate principal amount of its 5.75% Convertible Senior Notes due 2028 (the “Notes”). Pursuant to the Convertible Notes Underwriting Agreement, we granted the Convertible Notes Underwriters a 30-day option to purchase up to an additional \$15.0 million aggregate principal amount of the Notes solely to cover over-allotments.

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The sale of the \$135.0 million aggregate principal amount of the Notes was completed on April 15, 2008. The Convertible Notes Underwriters subsequently executed their over-allotment option and purchased an additional \$15.0 million aggregate principal amount of the Notes on May 8, 2008. The sale of the Notes was registered under the Securities Act of 1933, as amended, pursuant to a Registration Statement on Form S-3 (File No. 333-149798), as supplemented by a prospectus supplement and a free-writing prospectus, both dated April 10, 2008.

The Notes were issued under a Senior Indenture, entered into and dated as of April 15, 2008 (the “Base Indenture”), between us and U.S. Bank, National Association, as trustee (the “Trustee”), supplemented by a First Supplemental Indenture with respect to the Notes, entered into and dated as of April 15, 2008 (the “Supplemental Indenture”), between us and the Trustee (the Base Indenture and the Supplemental Indenture, collectively, the “Indenture”). Also, pursuant to the Indenture, the Company, the Trustee and U.S. Bank, National Association, as escrow agent (the “Escrow Agent”), entered into a Pledge and Escrow Agreement dated as of April 15, 2008 (the “Pledge Agreement”).

In accordance with the Pledge Agreement, approximately \$25.5 million of the proceeds of the offering of the Notes were placed in an escrow account with the Escrow Agent. Funds in the escrow account are invested in government securities and, if we do not elect to make the payments from other funds, will be used to make the first six scheduled semi-annual interest payments on the Notes. Pursuant to the Pledge Agreement, we pledged our interest in this escrow account to the Trustee as security for these interest payments.

Except for the pledge of the escrow account under the Pledge Agreement, the Notes are our senior unsecured debt obligations. There is no sinking fund for the Notes. The Notes mature on April 1, 2028 and bear interest at a rate of 5.75% per annum. Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing October 1, 2008, to holders of record on the preceding March 15 and September 15, respectively.

Subject to certain exceptions set forth in the Indenture, the Notes are subject to repurchase for cash at the option of the holders of all or any portion of the Notes (i) on each of April 1, 2013, April 1, 2018 and April 1, 2023 or (ii) upon a fundamental change, both at a purchase price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest, if any. A fundamental change will occur upon certain changes in the ownership of the Company, or certain events relating to the trading of the our Common Stock, as further described in the Indenture.

Holders may convert their Notes at their option at any time prior to the close of business on the business day immediately preceding April 1, 2028. The Notes are convertible into shares of Common Stock, subject to our option to deliver cash in lieu of all or a portion of the shares. The Notes are convertible at an initial conversion rate of 166.1820 shares of Common Stock per \$1,000 principal amount of Notes, subject to adjustment in the manner set forth in the Supplemental Indenture. The conversion rate may not exceed 240.9638 shares of Common Stock per \$1,000 principal amount of Notes, subject to adjustment. In addition to receiving the applicable amount of shares of Common Stock or cash in lieu of all or a portion of the shares, holders of Notes who convert their Notes prior to April 1, 2011 will receive the cash proceeds from the sale by the Escrow Agent of the portion of the government securities in the escrow account that are remaining with respect to any of the first six interest payments that have not been made on the Notes being converted. Holders of \$36 million aggregate principal amount, or 24%, of the outstanding Notes have submitted notices of conversion to the trustee in order to convert their Notes into our Common Stock in accordance with the terms of the Indenture. We expect to issue approximately 6.0 million shares of our Common Stock and pay a nominal amount of cash for fractional shares when the conversion of these Notes is completed over the conversion reference period. In addition, the holders are entitled to receive an early conversion make whole amount of approximately \$5.2 million representing the next five semi-annual interest payments that would have become due on the converted Notes, which will be paid from funds in an escrow account for the benefit of the holders of Notes. After these conversions, \$114 million aggregate principal amount of Notes will remain outstanding. Our aggregate cash interest cost savings through maturity resulting from this conversion will be approximately \$35.2 million.

Holders who convert their Notes in connection with certain events occurring on or prior to April 1, 2013 constituting a “make whole fundamental change” (as defined in Note 13 to the unaudited interim consolidated financial statements) will be entitled to an increase in the conversion rate as described in Note 13.

If we make at least 10 scheduled semi-annual interest payments, the Notes are subject to redemption at our option at any time on or after April 1, 2013, at a price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any.

The Indenture contains customary financial reporting requirements and also contains restrictions on mergers and asset sales. The Indenture also provides that upon certain events of default, including without limitation failure to pay principal or interest, failure to deliver a notice of fundamental change, failure to convert the Notes when required, acceleration of other

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material indebtedness and failure to pay material judgments, either the trustee or the holders of 25% in aggregate principal amount of the Notes may declare the principal of the Notes and any accrued and unpaid interest through the date of such declaration immediately due and payable. In the case of certain events of bankruptcy or insolvency relating to us or our significant subsidiaries, the principal amount of the Notes and accrued interest automatically becomes due and payable.

Concurrently with the offering of the Notes, on April 10, 2008, we entered into a share lending agreement (the “Share Lending Agreement”) with Merrill Lynch International (the “Borrower”), through Merrill Lynch, Pierce, Fenner & Smith Incorporated, as agent for Borrower (in such capacity, the “Borrowing Agent”), pursuant to which we agreed to lend up to 36,144,570 shares of Common Stock (the “Borrowed Shares”) to the Borrower, subject to certain adjustments set forth in the Share Lending Agreement, for a period ending on the earliest of (i) the date we notify the Borrower in writing of its intention to terminate the Share Lending Agreement at any time after the entire principal amount of the Notes ceases to be outstanding and we have settled all payments or deliveries in respect of the Notes (as the settlement may be extended pursuant to market disruption events or otherwise pursuant to the Indenture), whether as a result of conversion, redemption, repurchase, cancellation, at maturity or otherwise, (ii) our written agreement with the Borrower to terminate, (iii) the occurrence of a Borrower default, at our option, and (iv) the occurrence of our default, at the option of the Borrower. Pursuant to the Share Lending Agreement, upon the termination of the share loan, the Borrower must return the Borrowed Shares to us. The only exception would be that, if pursuant to a merger, recapitalization or reorganization, the Borrowed Shares were exchanged for or converted into cash, securities or other property (“Reference Property”), the Borrower would return the Reference Property. Upon the conversion of Notes (in whole or in part), a number of Borrowed Shares proportional to the conversion rate for such notes must be returned to us. In no event will the Borrower retain the Borrowed Shares.

On April 10, 2008, we entered into an underwriting agreement (the “Equity Underwriting Agreement”) with the Borrower and the Borrowing Agent. Pursuant to and upon the terms of the Share Lending Agreement, we will issue and lend the Borrowed Shares to the Borrower as a share loan. The Borrowing Agent also is acting as an underwriter (the “Equity Underwriter”) with respect to the Borrowed Shares, which are being offered to the public. The Borrowed Shares include 21,936,020 shares of Common Stock initially loaned by us to the Borrower pursuant to Section 2(a) of the Underwriting Agreement, an aggregate of 10,000,000 shares of Common Stock loaned by us to the Borrower on two separate occasions pursuant to Borrowing Notices dated as of April 15, 2008 and August 13, 2008, delivered pursuant to the Share Lending Agreement and the Underwriting Agreement, and an additional 4,208,550 shares of Common Stock that, from time to time, may be borrowed from us by the Borrower pursuant to the Share Lending Agreement and the Underwriting Agreement and subsequently offered and sold at prevailing market prices at the time of sale or negotiated prices. The sale of the Borrowed Shares was registered under the S-3(33-149798). We used two prospectus supplements for the transaction, one for the sale of the convertible notes (and the underlying common stock) and the other for the sale of the Borrowed Shares. We filed the prospectus supplement for the sale of the Borrowed Shares pursuant to Rule 424(b) (3) on April 2, 2008 and pursuant to Rule 424(b) (5) on April 14, 2008.

We will not receive any proceeds from the sale of the Borrowed Shares pursuant to the Share Lending Agreement but will receive a nominal lending fee of \$0.0001 per share for each share of Common Stock that we loan to the Borrower pursuant to the Share Lending Agreement. The Borrower will receive all of the proceeds from the sale of Borrowed Shares pursuant to the Share Lending Agreement.

The shares that we loaned to the Borrower will be issued and outstanding for corporate law purposes, and accordingly, the holders of the Borrowed Shares will have all of the rights of a holder of our outstanding shares, including the right to vote the shares on all matters submitted to a vote of our stockholders and the right to receive any dividends or other distributions that we may pay or makes on its outstanding shares of Common Stock. However, under the Share Lending Agreement, the Borrower has agreed:

- To pay, within one business day after the relevant payment date, to us an amount equal to any cash dividends that we pay on the Borrowed Shares; and
- To pay or deliver to us, upon termination of the loan of Borrowed Shares, any other distribution, in liquidation or otherwise, that we make on the Borrowed Shares.

To the extent the Borrowed Shares we initially lent under the Share Lending Agreement and offered in the Common Stock offering have not been sold or returned to it, the Borrower has agreed that it will not vote any such Borrowed Shares. The Borrower has also agreed under the Share Lending Agreement that it will not transfer or dispose of any Borrowed Shares, other than to its affiliates, unless the transfer or disposition is pursuant to a registration statement that is effective under the Securities Act. However, investors that purchase the shares from the Borrower (and any subsequent transferees of such purchasers) will be entitled to the same voting rights with respect to those shares as any other holder of our Common Stock.

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In view of the contractual undertakings of the Borrower in the Share Lending Agreement, which have the effect of substantially eliminating the economic dilution that otherwise would result from the issuance of the Borrowed Shares, we believe that under generally accepted accounting principles in the United States currently in effect, the Borrowed Shares will not be considered outstanding for the purpose of computing and reporting our earnings per share.

We evaluated the various embedded derivatives within the Indenture for bifurcation from the Notes under the provisions of FASB's Statement of Financial Standards No.133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), Emerging Issues Task Force Issue No. 01-6, "The Meaning of Indexed to a Company's Own Stock" ("EITF 01-6") and Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" ("EITF 00-19"). Based upon our detailed assessment, we concluded that these embedded derivatives were either (i) excluded from bifurcation as a result of being clearly and closely related to the Notes or are indexed to our Common Stock and would be classified in stockholders' equity if freestanding or (ii) the fair value of the embedded derivatives was estimated to be immaterial.

Credit Agreement

On August 16, 2006, we entered into an amended and restated credit agreement with Wachovia Investment Holdings, LLC, as administrative agent and swingline lender, and Wachovia Bank, National Association, as issuing lender, which was subsequently amended on September 29 and October 26, 2006. On December 17, 2007, Thermo Funding was assigned all the rights (except indemnification rights) and assumed all the obligations of the administrative agent and the lenders under the amended and restated credit agreement and the credit agreement was again amended and restated. The credit agreement as currently in effect provides for a \$50.0 million revolving credit facility and a \$100.0 million delayed draw term loan facility. At March 31, 2008, we had drawn \$50.0 million under the revolving credit facility, which was subsequently repaid in full in April 2008 with a portion of the proceeds of our Convertible Senior Notes offering. At September 30, 2008, \$35.0 million on the revolving credit facility were outstanding. The delayed draw term loan could be drawn after January 1, 2008 and prior to August 16, 2009. Since January 1, 2008, we have drawn an aggregate of \$100.0 million of the delayed draw term loan. In addition to the \$150.0 million revolving and delayed draw term loan facilities, the amended and restated credit agreement permits us to incur additional term loans on an equally and ratably secured, *pari passu*, basis in an aggregate amount of up to \$250.0 million (plus the amount of any reduction in the delayed draw term loan facility or prepayment of loans) from the lenders under the credit agreement or other banks, financial institutions or investment funds approved by us and the administrative agent. We have not sought commitments for these additional term loans. These additional term loans may be incurred only if no event of default then exists and if we are in pro-forma compliance with all of the financial covenants of the credit agreement.

The credit agreement limits the amount of our capital expenditures, requires us to maintain minimum liquidity of \$5.0 million and provides that as of the end of the second full fiscal quarter after we place 24 of our second-generation satellites into service and at the end of each fiscal quarter thereafter, we must maintain a consolidated senior secured leverage ratio of not greater than 5.0 to 1.0. We were in compliance with these debt covenants at September 30, 2008.

All loans will mature on December 31, 2012. Revolving credit loans bear interest at LIBOR plus 4.25% to 4.75% or the greater of the prime rate or the Federal Funds rate plus 3.25% to 3.75%. We had borrowings of \$150.0 million under the revolving credit facility at September 30, 2008. The delayed draw term loan bears interest at either 5% plus the greater of the prime rate and the Federal Funds rate plus 0.5%, or LIBOR plus 6%. The delayed draw term loan facility bears an annual commitment fee of 2.0% until drawn or terminated. The revolving credit loan facility bears an annual commitment fee of 0.5% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. The loans may be prepaid without penalty at any time. On September 29, 2008, we and Thermo agreed that, effective May 26, 2008, all payment of interest on the debt would be deferred until 45 days after Thermo provides notice that the interest is then payable. Interest will accrue on this outstanding interest at the same rate as the underlying loan and be compounded on December 31, 2008 and annually thereafter.

To hedge a portion of the interest rate risk with respect to the delayed draw term loans, we entered into a five-year interest rate swap agreement. See "Note 12: Derivatives" of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report. Upon the assumption of the credit agreement by Thermo Funding, the interest rate swap agreement was amended to require us to provide collateral in cash and securities equal to the negative value of the interest rate swap. At September 30, 2008, the negative value of the interest rate swap was approximately \$6.0 million and was classified as a non-current liability.

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Irrevocable Standby Stock Purchase Agreement

In connection with the execution of the initial Wachovia credit agreement on April 24, 2006, we entered into an irrevocable standby stock purchase agreement with Thermo Funding pursuant to which it agreed to purchase under the circumstances described below up to 12,371,136 shares of our Common Stock at a price per share of approximately \$16.17 (approximately \$200.0 million in the aggregate), without regard to any future increase or decrease in the trading price of our Common Stock. Thermo Funding's obligation to purchase these shares was secured by the escrow of cash and marketable securities in an

amount equal to 105% of its unfunded commitment. Thermo Funding completed its purchase of all shares subject to the agreement on November 2, 2007. All requirements were fulfilled by Thermo Funding by November 2007. As required by the pre-emptive rights provisions contained in our former certificate of incorporation, we intend to offer our stockholders as of June 15, 2006 who are accredited investors (as defined under the Securities Act of 1933) and who received 36 or more shares of our Common Stock as a result of the Old Globalstar bankruptcy, the opportunity to purchase shares of our Common Stock on substantially the same terms as Thermo Funding. These stockholders, excluding stockholders who have waived their pre-emptive rights, will be entitled to purchase, and upon entering into a commitment may elect to purchase at any time thereafter, up to 785,328 additional shares of our Common Stock at approximately \$16.17 per share in the pre-emptive rights offering.

Contractual Obligations and Commitments

At September 30, 2008, we have a remaining commitment to purchase a total of \$50.4 million of mobile phones, services and other equipment under various commercial agreements with QUALCOMM. We believe the long-term equipment contract with QUALCOMM is necessary to obtain the best possible pricing for the development and purchase of our second-generation of handsets and accessories. We expect to fund this remaining commitment from our working capital, funds generated by our operations, proceeds from our convertible notes offering which closed on April 15, 2008 and, if necessary, additional capital from the issuance of equity or debt. On October 28, 2008, we and QUALCOMM amended our agreement to extend the term for 12 months and defer delivery of mobile phones and related equipment until 2010.

Effective August 10, 2007 (the "Effective Date"), our board of directors, upon recommendation of the Compensation Committee, approved the concurrent termination of our Executive Incentive Compensation Plan and awards of restricted stock or restricted stock units under our 2006 Equity Incentive Plan to five executive officers (the "Participants"). Each Award Agreement provides that the recipient will receive awards of restricted Common Stock or restricted stock units, which upon vesting, each entitle him to one share of our Common Stock. Total benefits per Participant (valued at the grant date) are approximately \$6.0 million, which represents an increase of approximately \$1.5 million in potential compensation compared to the maximum potential benefits under the Executive Incentive Compensation Plan. However, the new Award Agreements extend the vesting period by up to two years and provide for payment in shares of Common Stock instead of cash, thereby enabling us to conserve our cash for capital expenditures for the procurement and launch of our second-generation satellite constellation and related ground station upgrades.

In November 2006, we and Thales Alenia Space entered into a definitive contract pursuant to which Thales Alenia Space will construct 48 low-earth-orbit satellites in two batches (the first of 25, including a proto-flight model satellite, and the second of 23) for our second-generation satellite constellation. Under the contract, Thales Alenia Space also will provide launch support services and mission operations support services. We have contracted separately with our Launch Provider for launch services and will do so for launch insurance for the satellites. In March 2007, we entered into an agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for our second-generation satellite constellation. This agreement complements the second-generation satellite construction contract with Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. In September 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each. On July 5, 2008, we amended our agreement with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Under the amended terms, we can defer payment on up to 75% of certain amounts due to the Launch Provider. The deferred payments will incur annual interest at 8% to 12%.

On May 14, 2008, we entered into a contract with Hughes under which Hughes will design, supply and implement the Radio Access Network ("RAN") ground network equipment and software upgrades for installation at a number of our satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in our various next-generation devices. The total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. We have the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. For a schedule of contractual payments, see "Capital Expenditures" under Liquidity and Capital Resources.

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On October 8, 2008, we signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. According to the \$22.7 million contract, Ericsson will work with us to develop, implement and maintain a ground interface, or core network, system that will be installed at our satellite gateway ground stations. The all Internet protocol (IP) based core network system is wireless 3G/4G compatible and will link our radio access network to the public-switched telephone network (PSTN) and/or Internet. Design of the new core network system is now underway. The agreement represents the final significant ground network infrastructure component for our next-generation of advanced IP-based satellite voice and data services.

Off-Balance Sheet Transactions

We have no material off-balance sheet transactions.

Recently Issued Accounting Pronouncements

The information provided under "Note 1: The Company and Summary of Significant Accounting Policies — Recent Accounting Pronouncements" of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report is incorporated herein by reference.

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 made primarily in U.S. dollars, Canadian dollars 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. However, our credit agreement requires us to do so on terms reasonably acceptable to the administrative agent not later than 90 days after the end of any quarter in which more than 25% of our revenue is originally denominated in a single currency other than U.S. or Canadian dollars.

As discussed in “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations and Commitments,” we have entered into two separate contracts with Thales Alenia Space to construct 48 low earth orbit satellites for our second-generation satellite constellation and to provide launch-related and operations support services, and to construct the Satellite Operations Control Centers, Telemetry Command Units and In-Orbit Test Equipment for our second-generation satellite constellation. A substantial majority of the payments under the Thales Alenia Space agreements is denominated in Euros.

Our interest rate risk arises from our variable rate debt under our credit agreement, under which loans bear interest at a floating rate based on the U.S. prime rate or LIBOR. Assuming that we borrowed the entire \$150.0 million in revolving and term debt available under our credit agreement, and without giving effect to the hedging arrangement described in the next sentence, a 1.0% change in interest rates would result in a change to interest expense of approximately \$1.5 million annually. To hedge a portion of our interest rate risk, we have entered into a five-year interest rate swap agreement with respect to a \$100.0 million notional amount at a fixed rate of 5.64%. See “Note 12: Interest Rate Derivative” of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report.

Our exposure to fluctuations in currency exchange rates has increased significantly as a result of contracts for the construction of our second-generation constellation satellite and the related control network facility, which are primarily payable in Euros. A 1.0% decline in the relative value of the U.S. dollar, on the remaining balance related to these contracts of approximately €454.4 million on September 30, 2008, would result in \$6.6 million of additional payments. See “Note 4: Property and Equipment” of the Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report.

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Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief 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 September 30, 2008, the end of the period covered by this Report. The evaluation included certain internal control areas in which we have made and are continuing to make changes to improve and enhance controls. This evaluation was based on the guidelines established in *Internal Control—Integrated Framework* issued 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, our chief executive officer and chief financial officer concluded that as of September 30, 2008 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 chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We believe that the consolidated financial statements included in this Report fairly present, in all material respects, our consolidated financial position and results of operations as of and for the three and nine months ended September 30, 2008.

(b) Changes in internal control over financial reporting.

As of September 30, 2008, our management, with the participation of our chief executive officer and chief financial officer, evaluated our internal control over financial reporting. Based on that evaluation, our CEO and CFO concluded that there were no changes in our internal control over financial reporting that occurred during the three months ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in certain litigation matters as discussed elsewhere in this Report. For more detailed information on litigation matters outstanding please see Note 10 of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report. From time to time, we are involved in various other litigation matters involving ordinary and routine claims incidental to our business. Management currently believes that the outcome of these proceedings, either individually or in the aggregate, will not have a material adverse effect on our business, results of operations or financial conditions.

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Item 1A. Risk Factors

You should carefully consider the risks described in this Report and all of the other reports that we file from time to time with the Securities and Exchange Commission (“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 described in the risk factors below, there have been no material changes to the risk factors disclosed in Part I. Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2007, as filed with the SEC on March 17, 2008.

Our satellites have a limited life and some have failed, which causes our network to be compromised and which materially and adversely affects our business, prospects and profitability.

Since the first Old Globalstar satellites were launched in 1998, ten satellites have failed in orbit and we expect others to fail in the future. Eight of these satellite failures have been attributed to anomalies of the S-band antenna. The ninth satellite's failure was attributed to an anomaly of the satellite command receiver. The tenth satellite's failure was attributed to a failure of one of its two solar array wings and a failure in a branch module in the flight computer. In-orbit failure may result from various causes, including component failure, loss of power or fuel, inability to control positioning of the satellite, solar or other astronomical events, including solar radiation and flares, and space debris. We consider a satellite "failed" only when it can no longer provide any communications service, and we do not intend to undertake any further efforts to return it to service. Other factors that could affect the useful lives of our satellites include the quality of construction, gradual degradation of solar panels and the durability of components. Radiation induced failure of satellite components may result in damage to or loss of a satellite before the end of its currently expected life.

As a result of the issues described above, some of our in-orbit satellites may not be fully functioning at any given time. As discussed below, substantially all of our current satellites launched before 2007 have experienced partial failures and degraded performance of their S-band downlink communications capabilities, and we currently believe that by early 2009 none of these satellites will be able to support two-way communication services. However, this will not impair their ability to continue to support Simplex data transmissions in the L-band, and accordingly, we do not classify them as "failed."

As our constellation has aged, the ability of our satellites to carry two-way communications has diminished, and is continuing to diminish, adversely affecting the availability of our two-way communications service, which has adversely affected our results of operations, cash flow and financial condition. Although we do not incur any direct cash costs related to the failure of a satellite, if a satellite fails, we record an impairment charge reflecting its net book value. There are some remote tools we use to remedy certain types of problems affecting the performance of our satellites, but the physical repair of satellites in space is not feasible. We do not insure our satellites against in-orbit failures, whether such failures are caused by internal or external factors.

S-band Antenna Amplifier Degradation

As described further below, the degradation of the S-band antenna amplifier in our satellites launched prior to 2007, previously disclosed in February 2007, has slowed but is expected to continue. The S-band antenna provides the downlink from the satellite to a subscriber's phone or data terminal. Degraded performance of the S-band antenna reduces the call completion rate for two-way voice and data communication between the affected satellites and the subscriber and may reduce the duration of a call. If the S-band antenna on a satellite ceases to be commercially functional, two-way communication is impossible over that satellite, but not necessarily over the constellation as a whole. The root cause of the degradation in performance of the S-band antenna amplifiers is unknown, although we believe it may result from irradiation of the satellites in orbit. The S-band antenna amplifier degradation does not affect adversely our one-way Simplex data transmission services, which utilize only the L-band uplink from a subscriber's Simplex terminal to the satellites.

To date, we have managed the degradation of the S-band antenna amplifiers in various technical ways, as well as by launching our spare satellites, placing into service spare satellites already in orbit and moving less impaired satellites to key orbital positions. To address the quality and capacity of our service in light of this problem and to prepare for the integration of our eight spare satellites launched in 2007, on February 2, 2007, we completed the reconfiguration of our satellite constellation to combine two different "Walker" configurations, which continue to operate as a single constellation of 48 satellites plus in-orbit spares. This reconfiguration was done to maintain, to the extent possible, the capacity and quality of service as well as to insert the spare satellites into the constellation. The eight spare satellites launched are being utilized to augment our existing satellite constellation and later will be integrated into our second-generation satellite constellation. On October 4, 2007, we completed another reconfiguration of our satellite constellation into two further different "Walker"

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configurations. This reconfiguration was done to improve service given the current operating status of our old satellite constellation and the newly launched eight satellites. We currently expect to launch our second-generation satellites beginning in the third quarter of 2009.

In early 2006, we engaged an expert third-party to undertake a comprehensive review of the S-band antenna amplifier degradation and its likely impact on the performance of the constellation as a whole. At that time, based in part on the third-party report, we concluded that, although there was risk, with the addition of the eight spare satellites in 2007, the constellation would continue to provide commercially viable two-way communication services until the next generation satellites began to be launched in 2009. However, based on data collected in 2007 from satellite operations, we concluded in February 2007 that the degradation of the S-band functionality for two-way communications service was occurring at a faster rate than previously experienced and anticipated. In response, in consultation with outside experts, we have implemented innovative methods, and plan to continue to research additional measures, to attempt to ameliorate this problem, including modifying the configuration of our constellation as described above, changing the way our gateways operate with the satellites and experimenting with new antennas on our phones, thereby attempting to extend the life of the two-way communication capacity of the constellation. We have forecasted the time and duration of two-way service coverage at any particular location in our service area, and we have made this information available without charge to our customers and service providers, including our wholly owned operating subsidiaries, so that they may work with their subscribers to reduce the impact of the service interruptions in their respective service areas. Nonetheless, we expect the S-band antenna amplifier degradation to continue as the satellites age in orbit.

We believe that if the degradation of the S-band antenna amplifiers continues at the current rate or further accelerates, and if we are unsuccessful in developing additional technical solutions, interruptions of two-way communications services will increase, and by some time in early 2009 substantially all of our in-orbit satellites launched prior to 2007 will cease to be able to support two-way communications services. As the number of in-orbit satellites (other than the eight spare satellites launched in 2007) with properly functioning S-band antenna amplifiers decreases, even with optimized placement in orbit of the eight spare satellites, increasingly larger coverage gaps will occur over areas in which we currently provide two-way communications service. Two-way communications service will continue to be available, but at certain times in any given location it will take substantially longer to establish calls and the average duration of calls will be impacted adversely. This has materially adversely affected our ability to attract new subscribers and maintain our existing subscribers for our two-way communications services, equipment sales of two-way communication devices, ARPU and our results of operations and is likely to have a further material adverse effect on each of these in the future. If our retail subscriber base continues to decline, our ability to attract and retain subscribers at higher rates when our second-generation constellation is placed in service may be affected adversely.

During the year ended December 31, 2007, our retail average revenue per unit, or ARPU, decreased by 21% to \$46.26 from \$58.91 in 2006. In addition, our service revenue declined from \$92.0 million to \$78.3 million and our subscriber equipment sales declined from \$44.6 million to \$20.1 million. During the nine months ended September 30, 2008, our retail ARPU decreased by 19% to \$37.34 from \$46.21 for the nine months ended September 30, 2007. Our service revenue declined from \$58.7 million for the nine months ended September 30, 2007 to \$48.8 million for the nine months ended

September 30, 2008 while our subscriber equipment sales increased from \$16.0 million to \$18.8 million over the same period. We believe that customer reaction to the S-band antenna amplifier degradation and our related price reductions have been the primary cause of these reductions. If we are unable to maintain our customer base for two-way communications service, our business and profitability may be further materially and adversely affected. In addition, after our second-generation satellite constellation becomes operational, we may face challenges in maintaining our current subscriber base for two-way communications service because we plan then to increase prices, consistent with market conditions, to reflect our improved two-way service and coverage.

Recessionary indicators and continued volatility in global economic conditions and the financial markets have adversely affected and may continue to affect adversely sales of our new SPOT satellite messenger product and reduce our ability to raise additional capital in order to complete our second-generation constellation.

The volatility and disruption to the financial markets has reached unprecedented levels and has significantly adversely impacted global economic conditions. As a result, there have been substantial declines in consumer confidence and demand. These conditions could lead to further reduced consumer spending in the foreseeable future, especially for discretionary travel and related products. A substantial portion of the potential addressable market for our SPOT satellite messenger products and services relates to recreational users, such as mountain climbers, campers, kayakers, sport fishermen and wilderness hikers. These potential customers may reduce their activities due to economic conditions, which could adversely affect our business, financial condition, results of operations and liquidity.

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These conditions also have materially impacted liquidity in the capital and credit markets, making terms for certain financings less attractive or unavailable. Continued uncertainty may negatively impact our ability to access additional financing or make it difficult or more costly to raise capital through the issuance of our equity or debt securities. These disruptions have had and may continue to have a material adverse effect on the market price of our common stock.

Failure to satisfy NASDAQ Global Select Market listing requirements may result in our common stock being removed from listing on the NASDAQ Global Select Market.

Our Common Stock is currently listed on the NASDAQ Global Select Market under the symbol "GSAT." For continued inclusion on the NASDAQ Global Select Market, we must generally maintain, among other requirements, either (a) shareholders' equity of at least \$10 million, a minimum closing bid price of \$1.00 per share and a market value of our public float of at least \$5 million; or (b) market capitalization of at least \$50 million, a minimum closing bid price of \$1.00 per share and a market value of our public float of at least \$15 million. On November 4, 2008, the closing bid price of our common stock was \$0.77 and our public float was \$92.2 million. NASDAQ has recently suspended enforcement, through January 16, 2009, of the rules requiring a minimum closing bid price and a minimum market value of public float. After January 16, 2009, however, if we fail to meet the minimum closing bid price or the minimum market value standards described above for at least 30 consecutive trading days, our Common Stock could be at risk of being removed from listing on the NASDAQ Global Select Market. If our Common Stock were removed from listing on the NASDAQ Global Select Market, our Common Stock may be transferred to the NASDAQ Capital Market if we satisfy the listing criteria for the NASDAQ Capital Market, or trading of our Common Stock may be conducted in the over-the-counter market in the so-called "pink sheets" or, if available, the National Association of Securities Dealer's "Electronic Bulletin Board." Consequently, broker-dealers may be less willing or able to sell and/or make a market in our Common Stock, which may make it more difficult for shareholders to dispose of, or to obtain accurate quotations for the price of, our Common Stock. Removal of our Common Stock from listing on the NASDAQ Global Select Market may also make it more difficult for us to raise capital through the sale of our securities.

In addition, if our Common Stock is not listed on a U.S. national stock exchange, such as NASDAQ, or approved for quotation and trading on a national automated dealer quotation system or established automated over-the-counter trading market, holders of our 5.75% Convertible Senior Notes will have the option to require us to repurchase the notes, which we will not have sufficient financial resources to do.

Item 6. Exhibits

| <u>Number</u> | <u>Description</u> |
|---------------|---|
| 10.1† | Purchase Agreement between Globalstar, Inc. and Ericsson Federal Inc. effective as of October 1, 2008 |
| 10.2 | Letter from Thermo Funding Company LLC dated September 29, 2008 |
| 31.1 | Section 302 Certification of the Chief Executive Officer |
| 31.2 | Section 302 Certification of the Chief Financial Officer |
| 32.1 | Section 906 Certifications |

† Portions of the exhibit have been omitted pursuant to a request for confidential treatment filed with the Commission. The omitted portions of the exhibit have been filed with the Commission.

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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.

Date: November 10, 2008

By: /s/ JAMES MONROE III
James Monroe III
Chairman and Chief Executive Officer

Date: November 10, 2008

By: /s/ FUAD AHMAD
Fuad Ahmad
Senior Vice President and Chief Financial Officer

CONFIDENTIAL TREATMENT

Portions of this exhibit have been omitted pursuant to a Request for confidential treatment filed with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934. Such portions are marked “[*]” in this document; they have been filed separately with the Commission.

PURCHASE AGREEMENT
BETWEEN
ERICSSON FEDERAL INC.
AND
GLOBALSTAR, INC.
FOR
GLOBALSTAR’S SECOND GENERATION GATEWAY
CORE NETWORK DEVELOPMENT
CONTRACT NUMBER GINC-C-08-0400

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PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT, GINC-C-08-0400 (this “Agreement”), effective as of October 1, 2008 (the “Effective Date of Contract” or “EDC”), is entered into by and between Ericsson Federal Inc., a Delaware corporation (“Ericsson”), with a place of business at 1595 Spring Hill Rd., Vienna, VA 22182 and Globalstar, Inc., a Delaware corporation (“Globalstar”) with its principal place of business at 461 South Milpitas Boulevard, Milpitas, California 95035 (each a “party” and collectively the “parties”).

WHEREAS, Globalstar desires to retain a qualified supplier to provide Products and Services with respect to Globalstar's Second Generation Gateway Core Network Development; and

WHEREAS, Globalstar and Ericsson have agreed that the business structure established pursuant to this Agreement will achieve the objectives contemplated by the parties in establishing the terms and conditions upon which Ericsson will provide to Globalstar, and Globalstar will purchase from Ericsson, those certain specified Products and Services.

NOW, THEREFORE, Ericsson and Globalstar hereby agree as follows:

1. Scope of Agreement

Subject to the terms and conditions of this Agreement and payment of \$22,651,151 in accordance with the Payment Milestones set forth in Exhibit C, Payment Milestones, Ericsson agrees to deliver to Globalstar the Products and Services listed in the attached Exhibit A, Pricing Schedule, as further set forth in Exhibit D, Statement of Work and defined in Exhibit E, Statement of Compliance.

The following Exhibits are incorporated into this Agreement and made a part hereof:

| | |
|-----------|--|
| Exhibit A | Pricing Schedule |
| Exhibit B | Termination Liability Schedule |
| Exhibit C | Payment Milestones |
| Exhibit D | Statement of Work for Globalstar 2 nd Generation Gateway Core Network Development |
| Exhibit E | Statement of Compliance |
| Exhibit F | Expansion Pricing and Options |
| Exhibit G | Statement of Work for Expansion Products (as agreed to by the parties) |
| Exhibit H | Spares List |
| Exhibit I | Definitions |
| Exhibit J | Globalstar Travel Policy |

2. Order of Precedence

Should any ambiguity or conflict arise between any Exhibits hereto and the Agreement Articles of this document, such ambiguity or conflict shall be resolved by following order of precedence as set forth below:

Agreement Articles of this document

- Exhibit I – Definitions
- Exhibit D – Statement of Work for Globalstar 2nd Generation Gateway Core Network Development
- Exhibit G – Statement of Work for Expansion Products (as agreed to by the parties)
- Exhibit J – Globalstar Travel Policy
- Exhibit E – Statement of Compliance
- Exhibit A – Pricing Schedule
- Exhibit F – Expansion Pricing and Options
- Exhibit B – Termination Liability Schedule
- Exhibit C – Payment Milestones
- Exhibit H – Spares List

3. Options

Globalstar shall have the unilateral right to exercise any option as set forth in Exhibit F, Expansion Pricing and Options. Globalstar may exercise such option by providing written notice to Ericsson no later than the expiration of the Option Validity Period which is hereby defined to be the expiration of the term of this Agreement as set forth in Article 4, Term. The option price is firm fixed price for the duration of the Initial Term of this Agreement. If an option is exercised or an order for an optional item is placed after the Initial Term of this Agreement, up to the 10th anniversary of EDC the price for such item shall be subject to escalation to be capped at [*] per annum. Following the tenth (10th) anniversary of EDC the availability of any optional items hereunder will be subject to mutually agreed terms and conditions. Such exercised options or orders will be incorporated into the Agreement through the written Change Request process set forth in Article 29, Changes. Each Contract Change Notice shall include updates, as required, to the Exhibits of the Agreement. Globalstar shall provide a forecast to Ericsson 3 months in advance of exercise of any option. Delivery of Products under any exercised option is 8 weeks after exercise of option, provided Ericsson has received the forecast 3 months in advance as referenced above.

For the sake of clarification, Globalstar shall have the option to extend the Customer Support as described in Exhibit F – Expansion Pricing and Options, and consistent with Section 5 of Exhibit D, Statement of Work for an additional three (3) years in one three year increment at the option prices as set forth in Exhibit F – Expansion Pricing and Options. Support may be provided in additional three year increments subject to the mutual agreement of the parties. Globalstar shall deliver written notice of its election to implement such extensions not less than 90 days prior to the end of the applicable period

being extended. Payments for such extensions shall be invoiced quarterly in advance of each quarterly period starting at the beginning of the extension period with payment due in accordance with Article 13, Invoicing and Payments.

4. Term

The Initial Term of this Agreement will commence at EDC and will continue for a period of five (5) years, unless sooner terminated in accordance with the provisions hereof. This Agreement will automatically extend for successive one (1) year periods unless sooner terminated in accordance with the provisions hereof.

5. Statement of Work

(A) Under this Agreement, Ericsson shall deliver "Work" as set forth below:

- (a) Products as set forth in Exhibit A – Pricing Schedule
 - (i) Hardware (including third party hardware);
 - (ii) Software (software executable code and firmware, including same from third parties)
 - (iii) Documentation (technical data, manuals, drawings and documents, including same from third parties); and
- (b) Services (including Customer Support).

(B) Additional Products and Services set forth in Exhibit F - Expansion Pricing and Options, may be provided by Ericsson to Globalstar in accordance with a Statement of Work mutually agreed to by Ericsson and Globalstar from time to time during the term of this Agreement ("Statement of Work for Expansion Products"). Each such Statement of Work for Expansion Products will, at a minimum, include the following:

- (a) A reference to this Agreement, which reference will be deemed to incorporate all applicable provisions of this Agreement.
- (b) The date as of which the Statement of Work for Expansion Products will be effective, and, if applicable, the term or period of time during which Ericsson will provide the applicable Products and Services to Globalstar pursuant to that Statement of Work for Expansion Products.
- (c) A description of the Products and Services to be provided by Ericsson to Globalstar pursuant to the Statement of Work for Expansion Products, including, but not limited to, the deliverables to be provided as part of the applicable Products and Services pursuant to that Statement of Work.
- (d) The amounts payable to Ericsson by Globalstar for the Products and Services to be provided under the applicable Statement of Work for Expansion Products.

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- (e) Additional payment milestones and termination liabilities for the Expansion Products provided under that Statement of Work for Expansion Products that are not otherwise set forth in this Agreement.

No Statement of Work for Expansion Products will become effective until a formal amendment to the Agreement, incorporating such Statement of Work into this Agreement, has been executed by an authorized representative of both Ericsson and Globalstar.

In the event of any express conflict or inconsistency between the provisions of this Agreement and the provisions of any Statement of Work for Expansion Products, the provisions of this Agreement will control with respect to the interpretation of that Statement of Work.

6. Performance Schedule

The Work, as defined in Article 5, Statement of Work, and as set forth in Exhibit D, Statement of Work, shall be performed in accordance with the schedule detailed in Exhibit D, Statement of Work, and Exhibit E, Statement of Compliance. Such schedule shall be adjusted on an equitable basis pursuant to the Change procedure set out in Article 29, Changes of this Agreement in respect of (i) any delays attributable to any events of excusable delay referenced in Article 31, Force Majeure, of this Agreement or (ii) delays by Globalstar in acting or performing as required under this Agreement including any delay or failure to furnish the required equipment, services or property pursuant to Section 4 of Exhibit D, Statement of Work, of this Agreement

7. Acceptance

A. All deliverable Work specified in Exhibit D, Statement of Work, and all Payment Milestones as defined in Exhibit C, Payment Milestones, shall be subject to acceptance of such Work by Globalstar in accordance with this Article 7.

Postponement of acceptance by Globalstar due to any deficiencies not attributable to Ericsson will be deemed acceptance of such Milestone.

B. Installation/ Delivery Acceptance

Upon installation of the applicable Products for the lab and sites 1-3 and upon delivery of the applicable Products for sites 4-9, Ericsson will conduct acceptance testing in accordance with the procedures and requirements set forth in Exhibit D – Statement of Work and Exhibit E – Statement of Compliance to demonstrate that such Products operate in material conformance with the applicable specifications in accordance with the applicable acceptance test plan and acceptance criteria as mutually agreed upon 60 days prior to the commencement of the installation. Upon successful completion of the applicable acceptance testing, Ericsson will provide Globalstar with a Certificate of

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Acceptance for such installation. Within ten (10) business days following its receipt of the Certificate of Acceptance, Globalstar will either (i) sign and return to Ericsson the Certificate of Acceptance, confirming Globalstar's acceptance of such installation, or (ii) notify Ericsson in writing of Globalstar's rejection of such installation, together with the specific deficiencies constituting the grounds for such rejection; provided that either (1) Globalstar's failure to so provide Ericsson with such written notification of rejection within such 10-business-day period, or (2) Globalstar's commercial use of such Products, or a

portion thereof, will constitute acceptance of such installation. Only service-affecting deficiencies shall be grounds for delay of the applicable acceptance of such installation. Prior to or upon Globalstar's acceptance of the installation, Globalstar may provide Ericsson with a written punchlist of the non-conformities of such installed Product (the "Punchlist"). Within fifteen (15) days following the acceptance of such Product, Globalstar may update such Punchlist by adding the non-conformities of the Product identified by Globalstar after the acceptance. Ericsson shall promptly correct the non-conformities identified in the Punchlist. Upon Ericsson's successful correction of such non-conformities, Ericsson shall submit to Globalstar, and Globalstar shall sign, a certificate verifying that no further Punchlist items remain unresolved.

C. Payment Milestone Acceptance

Acceptance of Payment Milestones as defined in Exhibit C – Payment Milestones, to the extent they are not included in 7 B above, shall occur upon successful completion of the Payment Milestone in accordance with the acceptance criteria as mutually agreed upon 60 days prior to the defined completion date of each Payment Milestone. Upon successful completion of the applicable acceptance criteria, Ericsson will provide Globalstar with a Certificate of Acceptance for each such Payment Milestone. Within ten (10) business days following its receipt of the Certificate of Acceptance, Globalstar will either (i) sign and return to Ericsson the Certificate of Acceptance, confirming Globalstar's acceptance of such Milestone, or (ii) notify Ericsson in writing of Globalstar's rejection of the Milestone, together with the specific deficiencies constituting the grounds for such rejection; provided that either (1) Globalstar's failure to so provide Ericsson with such written notification of rejection within such 10-business-day period, or (2) Globalstar's commercial use of the deliverables, or a portion thereof, will constitute acceptance of the Payment Milestone. Prior to or upon Globalstar's acceptance of the Payment Milestone, Globalstar may provide Ericsson with a written punchlist of the non-conformities (the "Punchlist"). Within fifteen (15) days following the acceptance of the Payment Milestone, Globalstar may update such Punchlist by adding the non-conformities of the Payment Milestone identified by Globalstar after the acceptance. Ericsson shall promptly correct the non-conformities identified in the Punchlist. Upon Ericsson's successful correction of such non-conformities, Ericsson shall submit to Globalstar, and Globalstar shall sign, a certificate verifying that no further Punchlist items remain unresolved.

8. Access to Work in Progress

A. Globalstar shall have the right, at all reasonable times during the performance of this Agreement, and at Globalstar's sole expense, to monitor the Work in progress

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at the plants of Ericsson, provided that Globalstar gives reasonable notice to Ericsson. Visits shall be on a non-interfering basis subject to Ericsson's standard security and confidentiality procedures.

B. To the extent necessary to implement this Article, and with the consent of any affected subcontractors, Ericsson shall pass through the provisions hereof into all subcontracts with suppliers of critical path items.

C. In no event shall Ericsson be liable if Globalstar's monitoring delays or otherwise prevents the performance, delivery or acceptance of Ericsson Work under this Agreement.

9. Delivery, Title and Risk of Loss

Except as the parties may otherwise agree to, Ericsson shall deliver the Product according to INCOTERMS 2000, Delivery Duty Unpaid named place of destination and according to the agreed upon delivery schedule. 'Delivery Duty Unpaid' (named place of destination) means that Ericsson delivers the Products to Globalstar, not cleared for import, and not unloaded from any arriving means of transport at the 'named place of destination'. Ericsson has to bear the costs and risks involved in the bringing the Products thereto, other than, where applicable, any 'duty' (which term includes the responsibility for and the risks of carrying out of customs formalities, and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination. Such 'duty' has to be borne by Globalstar as well as any costs and risks caused by Globalstar's failure to clear the Products for import in time. Ericsson will make reasonable commercial efforts to minimize the number of shipments to each site.

Title and risk of loss or damage to the Products will pass to Globalstar upon Ericsson's delivery to the named place of destination. Notwithstanding the foregoing, Globalstar hereby grants to Ericsson a lien on and a security interest (which, to the fullest extent permitted by law, shall be deemed to be a purchase money security interest) in and to each such Product and any and all proceeds thereof to secure the payment in full of the purchase price for such Product. Globalstar agrees to cooperate with Ericsson to create, preserve, perfect or validate such lien and security interest in any jurisdiction, and Ericsson may at any time file a copy of this Agreement as a financing statement with any filing office in any jurisdiction.

10. Prices and Fees

The Total Purchase Price shall be a firm fixed-price Twenty Two Million Six Hundred Fifty One Thousand One Hundred Fifty One United States Dollars (US\$22,651,151) for the Work which may be amended from time to time in accordance with this Agreement. For the sake of clarification, there is an additional time and materials component of the Work. The commitment for the Total Purchase Price listed in Exhibit A, Payment Milestones, shall arise upon execution of this Agreement by the parties, without

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the need to issue any purchase order or other similar documentation in connection herewith. The commitment for the purchase price of any Expansion Products to be listed in a Statement of Work for Expansion Products shall arise upon execution by an authorized representative of both Ericsson and Globalstar of an amendment incorporating such Statement of Work into this Agreement.

11. Out-of-Pocket Expenses

With regard to any mutually approved time-and-materials Work, Globalstar will pay or reimburse Ericsson for any reasonable out-of-pocket expenses, such as travel and associated expenses, reasonably incurred by Ericsson in connection with the performance of this Agreement so long as Ericsson

requests and estimates the magnitude of such expenses and receives Globalstar approval in advance. All travel must be consistent with Exhibit J, Globalstar Travel Policy, and invoiced as direct "pass through" actual and reasonable costs with no loading for indirect costs or profit.

12. Taxes and Duties

Globalstar shall be responsible for all sales and use taxes and export or import duties or value-added taxes or similar charges under any present or future national, federal, state or local laws which may arise and which become due by reason of the delivery of any Product or Service and by reason of the supply of any Globalstar equipment or other Globalstar property to Ericsson. Globalstar will pay and discharge, either directly to the governmental agency or as billed by Ericsson, the foregoing taxes, duties and charges.

13. Invoicing and Payment

A. The Total Purchase Price referred to in Article 10, Prices and Fees, shall be paid by Globalstar in accordance with Exhibit A, Pricing Schedule, and Exhibit C, Payment Milestones, and with the terms of this Article.

B. With respect to each amount specified in Exhibit C, Payment Milestones, Ericsson shall submit an invoice to Globalstar when the relevant milestone has been completed and accepted per the Acceptance procedure in Article 7.

C. Globalstar shall pay each invoice for Payment Milestones within 30 days of receiving each invoice after having provided Ericsson with a signed Certificate of Acceptance or within 30 days of the date of deemed Acceptance per Article 7. Globalstar shall pay each invoice for time and material within 30 days of receiving such invoice.

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Unless otherwise notified in writing by Ericsson, all transfers of funds to Ericsson in accordance with this Agreement shall be sent by wire transfer to the following bank account:

Account of Ericsson Federal Inc.
[*]

D. All invoices shall be submitted by email to [*] with email copy to Globalstar employees to be identified at a later date.

E. Any payment due from Globalstar shall be deemed to have been paid when the funds are disbursed from Globalstar's bank, destined to Ericsson's bank account referenced above. If any payment is due on any day that is not a business day, such payment shall be due on the succeeding business day. A late payment charge, at an annual rate of [*], will be applied to any payment not received by the due date thereof.

F. Invoicing by Ericsson and payment for an early completion of a milestone is subject to Globalstar's prior written approval.

14. Intellectual Property Rights

A. Definitions

As used in this Agreement, the following terms shall have the definitions indicated:

(1) "Ericsson Background IP" means all IP owned or controlled by Ericsson as of EDC, and all IP conceived or developed by Ericsson after EDC (other than in performance under this Agreement), which is incorporated in or necessary for the use (as provided for herein) of the Work being delivered pursuant to this Agreement.

(2) "Ericsson Foreground IP" means all IP conceived or developed by or on behalf of Ericsson arising from Ericsson's performance under this Agreement, which is incorporated in or necessary for the use of (as provided for herein) of the Work being delivered pursuant to this Agreement.

(3) "Core Network System" or "CN" means the core network system and other network deliverables being developed and provided by Ericsson pursuant to this Agreement.

(4) "Globalstar System" means the system including satellites, CN, Radio Access Network (RAN), ground control network, network control centers,

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Remote Terminal Diagnostic Monitor and User Terminals operated by Globalstar to provide low earth orbit satellite based wireless telecommunication services worldwide.

(5) "Intellectual Property" or "IP" means all information, data and technology (including all ideas, discoveries, inventions, methods, techniques and processes, designs, improvements and innovations, all specifications, requirements, software and other works of authorship (including documentation such as manuals, drawings and documents), and all know-how), whether or not patentable and whether or not reduced to practice, and all associated rights in and to any patents and patent applications, copyrights and trade secrets, and all other intellectual and industrial property rights and all forms of protection of any similar nature (including all such rights in software) which may subsist in any part of the world for the full term of such rights including any extension to the term of such rights.

(6) "User Terminal" means a mobile satellite terminal used for subscriber communication over the Globalstar satellite network.

B. Ownership of Intellectual Property Rights

(1) All Ericsson Background IP shall remain the sole and exclusive property of Ericsson.

(2) All Ericsson Foreground IP shall be exclusively owned by Ericsson, its suppliers or licensors.

C. License Rights Granted by Ericsson

Subject to fulfillment by Globalstar of its obligations under this Agreement, Ericsson hereby grants to Globalstar a worldwide, non-exclusive, perpetual, irrevocable, non-transferable, non-assignable, fully paid-up license to use, duplicate (Documentation and Software (for archival and backup purposes only)) and disclose the Ericsson Background IP and the Ericsson Foreground IP associated with the CN solely for the purposes of the use, operation and maintenance of the Globalstar System. The foregoing license rights include the right of Globalstar to sublicense to third parties and to contract with a third party for the purposes set forth above. For the sake of clarification, Globalstar shall use the Software solely on or with a single unit or arrangement of Hardware for which the Software was delivered.

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D. Other Right and License Considerations

(1) This Agreement applies to all updates, upgrades, maintenance releases, revisions and enhancements for the Software which Ericsson may supply to Globalstar from time to time.

(2) Globalstar may make one copy of any Software for backup and archival purposes if the copy contains all of the Ericsson proprietary notices contained in the original Software. Globalstar may make multiple copies of any Documentation if such copies contain all of the Ericsson proprietary notices contained in the original Documentation.

(3) Globalstar shall not directly or indirectly: (a) modify, copy (except as allowed for backup and archival purposes), transmit, alter, merge, decompile, disassemble, reverse engineer or adapt any portion of the Software; (b) encumber, time-share, rent or lease the rights granted herein; (c) manufacture, adapt, create derivative works of, localize, port or otherwise modify any Software; or (d) disclose or otherwise make available the Software to any third party, without Ericsson's prior written consent, except as permitted in Article 14 C (1) above. For the sake of clarification, Globalstar shall have the right to utilize the open interfaces of the CN to add functionality or features (e.g., HLR/HSS and application servers) to the CN.

(4) Except as expressly set forth in this Agreement, no right or license is either granted or implied by either party to the other with respect to any technical or business information, or with respect to rights in any patents, trademarks, copyrights, trade secrets, mask work protection rights, and other intellectual property.

(5) In the event Ericsson fails to continue to offer or make available to Globalstar the 2G/3G roaming solution, as defined in Exhibit E, Statement of Compliance, then Ericsson agrees to grant Globalstar the right to use the design and engineering documentation created for Globalstar hereunder for the purposes of supporting, creating and/or modifying the 2G/3G roaming solution. For clarification purposes, the rights granted herein do not apply to software or hardware that is not produced by Ericsson.

15. Intellectual Property Rights Indemnity

A. Ericsson shall, at its own expense, (i) indemnify and defend Globalstar in any claim or legal action in the United States, alleging that the use, sale or offer for sale of any Product provided by Ericsson to Globalstar hereunder or any portion thereof, directly infringes any patent, trademark or copyright of any third party ("Infringement Claim"); and (ii) pay any settlement reached or final award, including reasonable attorney's fees, for infringement. As a condition of such defense or payment, Globalstar is required to (i) give Ericsson prompt written notice of any Infringement Claim; (ii) provide Ericsson with the sole control of the defense and/or settlement of the Infringement Claim; (iii) cooperate fully with Ericsson in such defense or settlement. Globalstar may, at its own expense,

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participate fully in the defense of any such Infringement Claim. For the sake of clarification, the foregoing applies to Infringement Claims involving Ericsson Background IP and Ericsson Foreground IP.

B. In the event Ericsson becomes aware of a potential Infringement Claim, Ericsson shall use its reasonable best efforts to avoid an interruption of Globalstar service and may (or in the case of an award of an injunction, shall) at its sole option and expense: (i) procure for Globalstar the right to continue using the alleged infringing Product(s); (ii) replace or modify the alleged infringing Product(s) with an equivalent product(s) so that Globalstar's use is non-infringing; or (iii) if the remedies under the foregoing clauses (i) and (ii) are not commercially feasible, require Globalstar to return the affected portion of the Product(s) and refund to Globalstar the depreciated value (as carried on the Globalstar's books) of such Product(s).

C. Ericsson has no obligation or liability in respect to any Infringement Claim in the event that the affected Product: (i) is manufactured, designed or supplied by Ericsson in accordance with any design or special instruction furnished by Globalstar where such forms the basis of the Infringement Claim; (ii) is used by Globalstar in a manner or for a purpose not contemplated by this Agreement or Ericsson's Product documentation; (iii) is used by Globalstar in combination with other products or applications not provided by Ericsson under this Agreement, including any software developed by Globalstar through the permitted use of Products, provided that the Infringement Claim arises from such combination or the use thereof; or (iv) is modified by Globalstar, provided the Infringement Claim arises from such modification ("Other Claims"). If Globalstar continues use of the affected Product notwithstanding Ericsson's request to replace or modify pursuant to Article 15(B) (ii) or its requirement to return pursuant to Article 15(B) (iii), Ericsson shall not be liable for such use. Globalstar shall indemnify Ericsson against all liability and costs of defense, including reasonable attorneys' fees, for any and all claims against Ericsson for infringement based upon any of the foregoing.

D. THE PROVISIONS OF THIS ARTICLE 15 CONSTITUTE THE EXCLUSIVE RECOURSE OF EACH PARTY AND THE ENTIRE OBLIGATION AND LIABILITY OF EACH PARTY WITH RESPECT TO ANY CLAIM FOR INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS.

E. Ericsson agrees that the provisions of this Article shall apply to any Product modified by Ericsson pursuant to Paragraph 15 B (ii) of this Article.

F. Globalstar will indemnify Ericsson from any and all damages and costs (including settlement costs) finally awarded or agreed upon for infringement of any United States patent or copyright in any lawsuit resulting from Other Claims, and for reasonable expenses incurred by Ericsson in defense of such lawsuit if Globalstar does not undertake the defense thereof.

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16. Indemnification and Insurance

A. Ericsson shall indemnify and hold harmless Globalstar, and its subsidiaries and affiliates, and its subcontractors (if any), their respective officers, employees, agents, servants and assignees, or any of them (collectively "Globalstar Indemnitees"), from any direct or indirect loss, damage, liability and expense (including reasonable attorneys fees), on account of loss or damage to tangible personal property and injuries, including death, to all persons, including but not limited to employees or agents of Ericsson, its subcontractors and the Globalstar Indemnitees, and to all other persons, arising from any occurrence to the extent caused by any negligent act or omission or willful misconduct of Ericsson, its subcontractors or any of them.

(1) At Ericsson's expense, Ericsson shall defend any suits or other proceedings brought against the Globalstar Indemnitees on account thereof, and shall pay all reasonable expenses and satisfy all judgments which may be incurred by or rendered against them, or any of them, in connection therewith.

(2) Ericsson shall have the sole right to settle any claim or litigation against which it indemnifies hereunder. Further, the Globalstar Indemnitees shall provide to Ericsson such reasonable cooperation and assistance as Ericsson may request to perform its obligations hereunder.

B. Globalstar shall indemnify and hold harmless Ericsson, and its subsidiaries and affiliates, its subcontractors, their respective officers, employees, agents, servants and assignees, or any of them (collectively "Ericsson Indemnitees"), from any direct or indirect loss, damage (including damage to property and injuries, including death), liability and expense (including reasonable attorneys fees) incurred by any third party (including employees or agents of Globalstar and Ericsson Indemnitees) and arising from any occurrence caused by any negligent act or omission or willful misconduct of Globalstar, its officers, employees, agents, consultants, servants and assignees.

(1) In addition, Globalstar shall waive any claim against and shall indemnify and hold harmless Ericsson Indemnitees from any direct or indirect loss, damage (including damage to property and injuries, including death), liability and expense incurred by any third party and arising from use, operation or performance of the deliverable Products after Acceptance, including as a result of modification or improvements made by Globalstar.

(2) Globalstar shall, at Globalstar's expense, defend any suits brought against the Ericsson Indemnitees referred to above and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against them, or any of them, in connection therewith. Globalstar shall have the right to settle any claim or litigation against which it indemnifies hereunder. Further, the Ericsson Indemnitees shall provide to Globalstar such reasonable cooperation and assistance as Globalstar may request to perform its obligations hereunder.

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C. Ericsson shall, at its own expense, provide and maintain a Commercial General Liability Insurance Policy ("CGL Policy") which shall cover property damage and injuries, including death, caused to third parties. Upon written request by Globalstar, Ericsson will provide a Certificate of Insurance to Globalstar.

17. Globalstar-Furnished Facilities

With respect to any facilities provided by Globalstar or any of its other contractors pursuant to Exhibit D, Statement of Work, and Exhibit E - Statement of Compliance, whether for installation of the items to be delivered by Ericsson under this Agreement or for any other purpose, Ericsson shall exercise all reasonable care to ensure that such facilities are suitable for the purpose intended.

18. Warranty

A. Notwithstanding any prior inspection or acceptance by Globalstar, Ericsson warrants that:

(1) All deliverable Hardware shall be in new or like new condition when first delivered to Globalstar and free from any defects in materials, workmanship and design; and

(2) All deliverable Work shall conform to the requirements specified in this Agreement, including Exhibit D, Statement of Work and Exhibit E, Statement of Compliance.

B. Ericsson warrants that each Product provided by Ericsson to Globalstar hereunder will, during the applicable warranty period, perform materially in accordance with the applicable specifications. The warranty period is: (i) twelve (12) months for the hardware components of the Product, commencing upon delivery of the Product, (ii) three (3) months for software and firmware components of the Product (including subsequent releases of the software) commencing upon delivery of the software or firmware, or (iii) twelve (12) months for services, commencing upon the date the Service is performed. If notified by Globalstar of any Product's failure to perform materially in accordance with the applicable specifications within the applicable warranty period, Ericsson shall, at its election and expense, repair or replace any such defective Product. Such repair or replacement includes material, labor and services, and shall be Globalstar's sole and exclusive remedy and Ericsson's sole and exclusive obligation in the event this warranty is breached. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED HEREIN, THERE ARE NO, AND ERICSSON HEREBY DISCLAIMS ALL, OTHER WARRANTIES,

C. Transportation and insurance costs for defective parts returned to Ericsson shall be at Globalstar's charge and transportation and insurance costs for parts replaced or repaired by Ericsson shall be at Ericsson's charge.

In the event an on-site intervention is needed (e.g., fault cannot be located remotely by Ericsson or failure of a non-replaceable unit), Ericsson shall, upon request, provide on-site support at Globalstar's additional cost on a time-and-materials basis at the hourly labor rates set forth in Exhibit F, Expansion Pricing and Options.

All return of defective or non-conforming Work to Ericsson shall follow Ericsson's Return Material Authorization (RMA) process.

D. Any corrections or replacements made pursuant to this Article shall be subject to Article 9, Delivery, Title and Risk of Loss. With respect to any part or component that is corrected or replaced, the warranty period specified in this Article shall be suspended from the date of notification of the defect by Globalstar and shall recommence upon the date of satisfactory completion of the correction or replacement for the unexpired portion of the warranty period. Where such correction or replacement renders the Work or any part thereof non-functional, the warranty period shall be similarly extended for the Work or any part thereof. Notwithstanding the foregoing, any part or component that is corrected or replaced shall have a warranty period that is the greater of three (3) months or the unexpired portion of the warranty period.

E. Notwithstanding the foregoing, Ericsson shall not be obligated to provide the warranty services set forth herein if Globalstar has not satisfied all payment obligations due and outstanding as of the date of any claim by Globalstar under the above warranty. If Globalstar has due but unpaid obligations, Ericsson may, at its sole discretion and without liability to Ericsson, in addition to demanding that Globalstar fulfill all payment obligations contained herein: (i) reject Work sent for repairs; or (ii) hold any Work sent for repairs until Globalstar fulfills all payment obligations contained herein. None of the foregoing options elected by Ericsson shall result in an increase in the duration of the warranty period.

19. Confidentiality

A. Each party shall during the term of this Agreement and for a period of five (5) years thereafter, keep secret and confidential all know-how or other business, technical or commercial information, in connection with this Agreement disclosed to it by the other party or otherwise belonging to the other party (and shall ensure that any employees or subcontractors are similarly bound) and shall not disclose the same to any person save to the extent necessary to perform its obligations in accordance with the terms of this Agreement. All such information shall be identified as confidential at the time it is so supplied or shall be such that should reasonably have been understood by the receiving party (based on the circumstances of disclosure or the nature of the information itself)

to be proprietary and confidential to the disclosing party. For the sake of clarity, each party shall have the right to use, duplicate and disclose, as permitted under this Article, the other party's confidential information as required to fulfill the party's requirements under this Agreement, subject to the nondisclosure and use restrictions provided herein.

B. Article 14, Intellectual Property Rights, shall take precedence over the provisions of this Article to the extent that there is any inconsistency.

C. The foregoing provisions of this Article shall not apply to know-how and information which:

- (1) is or becomes public knowledge without breach of this Agreement;
- (2) is already known to the receiving party at the time of its disclosure by the disclosing party and was not otherwise acquired by the receiving party from the disclosing party under any obligations of confidence;
- (3) is independently developed by Ericsson or Globalstar, which fact can be shown by competent evidence; or
- (4) Globalstar or Ericsson is compelled by legal process or government regulation or order to disclose, provided that the disclosing party is given prompt notice of any proposed release of information under this sub-clause and that the disclosing party be given ample opportunity to engage in legal action to resist and/or restrict any such disclosure.

20. Limitation of Liability

In any event and notwithstanding anything contained within this Agreement, Ericsson's liability in contract, equity, tort (including negligence or breach of statutory duty) or otherwise arising by reason of, or in conjunction with, this Agreement (except in relation to death or personal injury or intellectual property rights indemnity) shall not exceed the price or fees then already paid by Globalstar to Ericsson for the Products or Services that give rise to such liability.

IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR ANY SPECIAL, EXEMPLARY, INCIDENTAL, INDIRECT OR CONSEQUENTIAL DAMAGES IN CONNECTION WITH THIS AGREEMENT, HOWEVER CAUSED AND REGARDLESS OF WHETHER BASED ON ACTION OR CLAIM IN CONTRACT, EQUITY, INDEMNITY, TORT (INCLUDING NEGLIGENCE), INTENDED CONDUCT, STRICT LIABILITY OR OTHERWISE, EVEN IF SUCH DAMAGES ARE FORESEEABLE.

21. Termination for Cause

A. Either party shall have the right to terminate this Agreement, in whole or in part, by notice (the "Termination Notice") in writing to the other party in the event that:

- (1) the other party defaults in the performance of any of its material obligations hereunder and (in the case of a remediable breach) fails to make significant progress in resolving same within sixty (60) working days (the "Cure Period") of being requested by written notice (the "Default Notice") to do so; or
- (2) the other party becomes insolvent or the subject of proceedings under any law relating to bankruptcy or the relief of debtors or admits its inability to pay its debts as they become due.

The Termination Notice will be effective immediately without further period for cure.

If such termination for cause occurs, upon payment by Globalstar to Ericsson of all amounts owing up to the date of the Termination Notice, Globalstar may elect to take over the completion of the terminated Work either itself or via a third party in which case Ericsson shall be liable for any reasonable cover costs for such Work up to a maximum of [*] of the remaining unpaid amounts due under this Agreement. In addition, Ericsson shall provide up to twelve (12) months of termination assistance to Globalstar or its designee at Globalstar's request and reasonable expense (not to exceed Ericsson's labor rate specified in Exhibit F, Expansion Pricing and Options).

B. If Globalstar issues a Termination Notice to Ericsson pursuant to this Article and it is subsequently determined that Ericsson was not in breach, the rights and obligations of the parties shall be the same as if Globalstar had terminated for convenience pursuant to Article 22, Termination for Convenience/Stop Work Orders, unless the parties mutually agree to reinstate the Agreement.

22. Termination for Convenience/ Stop Work Orders

A. Globalstar may terminate this Agreement, in whole or in part, for Globalstar's convenience, at any time prior to completion, upon thirty (30) days written notice to Ericsson. In such case, Ericsson shall immediately stop Work as directed in the termination notice and make its reasonable best efforts to mitigate costs.

B. In the event of such termination by Globalstar, Globalstar agrees to pay termination fees as set forth in Exhibit B, Termination Liability Schedule.

C. Title to items that Globalstar has taken possession of shall transfer to Globalstar after payment.

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D. Stop Work Orders

- (1) Globalstar may, at any time, upon reasonable prior written notice to Ericsson ("the Stop Work Order"), direct Ericsson to suspend performance of the Work for a maximum cumulative duration of six (6) months and with a maximum number of suspensions of two (2). Said Stop Work Order shall specify the date of suspension and the estimated duration of the suspension. Upon receiving any such Stop Work Order, Ericsson shall promptly suspend further performance of the Work to the extent specified, and during the period of such suspension shall properly care for and protect all Work in process and materials, supplies, and hardware Ericsson has on hand for performance of the Work.
- (2) Globalstar may, at any time during the stop Work, either (a) direct Ericsson to resume performance of the Work by written notice to Ericsson, and Ericsson shall resume diligent performance of the Work, provided that (x) the Delivery Schedule is adjusted to reflect the stop Work and the time required by Ericsson to recommence performance, (y) other affected provisions of the Agreement shall be adjusted, and (z) Ericsson is compensated for its Work stoppage costs as defined in Paragraph (3) below; or (b) terminate the Agreement for convenience in accordance with the foregoing provisions of this Article in which case the costs incurred by Ericsson and its subcontractors as a result of the stop Work as defined below shall be added to the termination charges to be paid pursuant to the foregoing provisions of this Article.
- (3) The Total Purchase Price of this Agreement shall be equitably adjusted to compensate Ericsson for actual costs reasonably incurred by Ericsson or its subcontractors as a result of such suspension and resumption of Work plus a markup of [*]. Ericsson shall invoice Globalstar for such costs, and Globalstar shall pay such invoice within thirty (30) days from the date of invoice. Invoices will not be issued more frequently than one (1) per month during a stop Work. If after a period of 6 months from receipt of a Stop Work Order, Globalstar does not direct Ericsson to resume Work, Globalstar shall be deemed to have terminated the Agreement for convenience under the foregoing provisions of this Article and the applicable termination charges shall apply.

23. Government Authorizations

A. Site Licenses

Globalstar shall be responsible for obtaining and complying with all national authorizations or licenses as may be required to introduce the Product at the sites. This includes, but is not limited to, obtaining and maintaining any license, permits, and/or other authorizations of any kind required for installation, maintenance, testing, or operation of the Work, or any portion thereof, including Services related thereto. Globalstar shall pay

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all costs of such licenses, permits and authorizations and all costs and expenses incurred in obtaining and maintaining them. Globalstar's obligation to pay Ericsson shall not in any manner be waived by delay or failure to secure or renew, or by the cancellation of, any required licenses, permits or authorizations.

B. Export Control Regulations

- (1) It is expressly agreed that the execution of this Agreement and the subsequent delivery of Products and Services under this Agreement will be subject to all applicable export controls imposed or administered by the U. S. Government. The parties shall comply with all applicable U.S. export control laws and regulations and with all applicable administrative acts of the U.S. Government pursuant to such laws and regulations (cumulatively, "Export Laws").
- (2) Performance by Ericsson under this Agreement is subject to appropriate authorization by the U.S. Government as may be required, including receipt and continued effectiveness of any export privileges/licenses.
- (3) For work in the U.S. involving U.S. persons (defined as U.S. citizens and U.S. lawful permanent residents), export licenses or other export authorizations will not be required.
- (4) Ericsson shall submit requests for commodity classifications for the Products, including any encryption algorithms, as may be required under the Export Administration Regulations ("EAR") of the U.S. Department of Commerce, Bureau of Industry and Security ("BIS"). As applicable, Ericsson shall submit requests for authorization to use license exceptions. Globalstar shall cooperate with Ericsson to obtain such commodity classifications and authorizations, including providing Ericsson with any required information in Globalstar's possession. Ericsson agrees to provide copies of such requests and the formal determination (including, as applicable, identification of all Export Classification Control Numbers ("ECCNs") and all cases of No License Required ("NLR") and License Exception) of BIS to Globalstar. Once BIS has issued a formal determination, any use of such classifications and/or license exceptions by Globalstar shall be without recourse to Ericsson, and shall be at Globalstar's own risk. Ericsson assumes no liability for any damages whether direct, consequential, incidental, or otherwise, that may be suffered by Globalstar as a result of Globalstar's using or relying upon such classifications or license exceptions for any purpose whatsoever.
- (5) To the extent a U.S. export license is required for any deliverable Products, Ericsson will apply for the required U.S. export license and will export such deliverable Products in accordance with the export license as approved by BIS.

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(6) Notwithstanding any other provision of this Agreement, Globalstar shall not use, distribute, transfer or transmit the Products (even if incorporated into other items) provided to it by Ericsson under this Agreement except in compliance with Export Laws. Globalstar shall not, directly or indirectly, export or re-export the Products to any country without the appropriate export authorization, as specified in the Export Laws. The obligations stated herein shall survive the expiration, cancellation or termination of this Agreement or any other related agreement or contract. If requested by Ericsson, Globalstar also agrees to sign written assurances and other export-related documents as may be required for Ericsson to comply with the Export Laws.

24. Restriction of Hazardous Substances ("ROHS"); Waste Electrical and Electronic Equipment ("WEEE"); and Packaging and Packaging Waste

A. Deliverable Hardware shall comply with environmental standards required by Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (the "ROHS Directive"); Directive 2002/96/EC of the European Parliament and of the Council of 27 January 2003 on waste electrical and electronic equipment (the "WEEE Directive"); and Directive 94/62/EC of the European Parliament and of the Council of 20 December 1994 on packaging and packaging waste (the "Packaging Directive"), including any amendments by Commission Decision, Joint Declaration of EU authorities and Directive 2003/108/EC of 8 December 2003 as well as any statute or statutory provision or subordinate legislation introduced or modified from time to time to implement such Directives into EU Member State Law.

B. Ericsson shall take all reasonable steps and exercise all due diligence needed to comply with the ROHS Directive, including without limitation, utilizing only ROHS-compliant subcontractors, auditing of subcontractors for compliance, establishing quality assurance processes and procedures for compliance, and maintaining proper documentation of compliance. At the earliest opportunity but in any case no later than shipment of the first deliverable Hardware, Ericsson shall provide Globalstar with (a) Certificate of Compliance with the ROHS Directive, the WEEE Directive and the Packaging Directive; and (b) Material Composition Declarations from suppliers in accordance with Forms IPC-1752-1 v1.0 and IPC-1752-2 v1.0 or approved updates. Ericsson shall keep records for traceability and compliance documentation purposes for at least five (5) years.

C. Ericsson shall take commercially reasonable steps to comply with the WEEE Directive information and product marking requirements, where applicable, including a symbol of the crossed-out wheelee bin, with a horizontal bar underneath signifying that the Hardware has been manufactured after the WEEE Directive came into force, and a marking properly identifying Ericsson as the producer of the Hardware, as instructed by Globalstar.

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D. Upon request, Ericsson will furnish to Globalstar, as soon as reasonably practical but in any event within 15 business days of such request, any information and assistance as Globalstar, in its reasonable opinion, requires to comply with Globalstar's obligations under the ROHS Directive, the WEEE Directive and the Packaging Directive, including without limitation, the following:

- (a) information or evidence of compliance as may from time to time be required by any EU Member State Government relating to the Hardware;
- (b) Hardware or component design;
- (c) marking and labeling Hardware; and
- (d) EU audit requests of Globalstar.

25. Assignment of Agreement

Each party hereby agrees that it will not, without the prior written approval of the other party (such approval not to be unreasonably withheld or unduly delayed), assign or delegate any of their rights, duties, and obligations under this Agreement, except to a wholly-owned subsidiary of such party or except in the event of a sale of all or substantially all of a party's assets (which assignment or delegation shall not relieve the assignor or delegator of liability). In case of assignment by Globalstar, Globalstar shall demonstrate to Ericsson's satisfaction that its successor or assignee possesses the financial resources to fulfill Globalstar's obligations under this Agreement. Upon such assignment, the assignee shall assume all rights and obligations of the assignor existing under this Agreement at the time of such assignment. This Article shall not preclude the granting of a security interest by a party to a lender.

26. Key Personnel

A. No later than KOR, Ericsson shall identify the Key Personnel to perform the services and staff the Work, until successful completion of the Work performed hereunder (individually a "Key Person" and collectively the "Key Personnel").

| Position | Name |
|---------------------------------|------|
| Program Manager | [*] |
| System Integration and Services | [*] |

B. Key Personnel shall not be removed from performance of the Work under this Agreement unless replaced with personnel of substantially equal qualifications and ability. Globalstar shall have the right to review the qualifications of any proposed replacements. If Globalstar deems, in its reasonable judgment, the proposed replacements to be unsuitable, Globalstar may require Ericsson to offer alternative candidates. Notwithstanding its role in reviewing Key Personnel and their replacements, Globalstar shall have no supervisory control over their performance and nothing in this Article shall

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relieve Ericsson of any of its obligations under this Agreement or of its responsibility for any acts or omissions of its personnel.

27. Communication and Authority

A. [*] is assigned as Globalstar's Program Manager with authority to issue technical direction within the scope of this Agreement. [*] is assigned as Ericsson's Program Manager with authority to accept such direction. Notwithstanding Article 26(A), Key Personnel, the foregoing Program Managers are authorized (i) to initial the Exhibits and any modifications thereto (except Exhibit A - Pricing Schedule and Exhibit F - Expansion Pricing and Options), and (ii) to execute the waivers of technical compliance with the specifications in the Exhibits.

B. All contractual correspondence to Globalstar will be addressed to (with copy to the Program Manager):

[*]

All technical correspondence to Globalstar will be addressed to:

[*]

All notices to Ericsson required to be sent pursuant to Article 15, Intellectual property Rights Indemnification, Article 19, Confidentiality, Article 21, Termination for Cause and Article 22, Termination for Convenience/ Stop Work Orders, shall be addressed to:

[*]

All other contractual correspondence to Ericsson will be addressed to (with copy to the Program Manager):

[*]

All program and technical correspondence to Ericsson will be addressed to the Program Manager.

C. In a time critical situation, such as operational or technical matters requiring immediate attention, notice may be given by telephone. Any notice given verbally will be confirmed in writing as soon as practicable thereafter in accordance with Paragraph D of this Article.

D. Except as provided in Paragraph C of this Article, all notices, demands, reports, orders and requests hereunder by one party to the other shall be in writing and deemed to be duly given on the same business day if sent by electronic means (i.e., electronic mail) or

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delivered by hand during the receiving party's regular business hours, or on the date of actual receipt if sent by pre-paid overnight, registered or certified mail.

E. The parties agree to cooperate in implementing the use of electronic signatures, provided that such use is consistent with applicable law.

28. Dispute Resolution

The parties shall attempt to resolve any dispute, controversy or difference that may arise between them through good faith negotiations. In the event the parties fail to reach resolution of such dispute within thirty (30) days of entering into negotiations, either party may refer such dispute to arbitration as set forth below.

Any disputes arising under or relating to this Agreement shall be resolved in accordance with the Commercial Arbitration Rules of the American Arbitration Association. Arbitration shall be held in the City of Denver, Colorado, or such other place as the parties may agree and shall include an award of attorneys' fees (and the amount of such fees) to the prevailing party. The arbitration shall be conducted by one arbitrator whose selection shall be based upon

mutual agreement of the Parties. The arbitrator's award shall be final and binding, and judgment thereon may be entered in any court having jurisdiction over the party against which enforcement is sought; provided that any such award rendered by the arbitrators shall be strictly in conformance to and in accordance with the terms and conditions of this Agreement, including without limitation the limitation of liability provisions contained herein. Other than those matters involving injunctive relief as a remedy or any action necessary to enforce the award of the arbitrators, the parties agree that the provisions of this Section are a complete defense to any suit, action or other proceedings instituted in any court or before any administrative tribunal with respect to any dispute or controversy arising under or relating to this Agreement. Nothing in this Section shall prevent either party from exercising its rights to terminate this Agreement as specified herein. The provisions of this Section shall survive the expiration or termination of this Agreement for any reason.

29. Changes

A. At any time during this Agreement, Globalstar may request changes in the Work, so long as such changes are within the general scope of the Agreement. Ericsson may also propose changes for consideration by Globalstar.

B. A change request from Globalstar must be identified as such, must be made or confirmed in writing, and must be signed by the responsible officer identified in Article 27, Communication and Authority. If any other conduct by the responsible officer or any other representative of Globalstar is construed by Ericsson as possibly constituting a change request or an interpretation of the Agreement requirements inconsistent with Ericsson's understanding of those requirements, Ericsson shall promptly notify Globalstar and request clarification.

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C. Within thirty (30) days after receiving a change request from Globalstar, Ericsson shall submit to Globalstar a written proposal in accordance with the requirements of Paragraph D of this Article. On a case-by-case basis, Ericsson may request a longer period to prepare the proposal. Globalstar shall not unreasonably withhold its consent to a request for such a longer period, taking into account the nature of the change request, but Globalstar may also take into account the impact of such an extension on the performance schedule.

D. Whether submitted in response to a change request initiated by Globalstar, or initiated by Ericsson, the proposal shall itemize, in a reasonable format specified by Globalstar, any impact that the change would have on the technical requirements, price, performance schedule, or other terms and conditions of this Agreement. Where appropriate, the proposal shall also suggest any revised language for the Agreement, including any of its Exhibits, which would be necessary to implement the change.

E. Any claim by Ericsson for adjustment of the technical requirements, price, performance schedule, or other terms and conditions of this Agreement, attributable to a change, shall be deemed waived unless asserted in the proposal.

F. If the cost of any materials that would be made obsolete as a result of a change is included in Ericsson's claim for adjustment:

- (1) To the extent that such materials have resale, reuse, or salvage value to Ericsson or its subcontractors or suppliers, Globalstar shall be entitled to a credit.
- (2) If such materials have no such resale, reuse, or salvage value, Globalstar shall have the right to prescribe their manner of disposition.

G. After Globalstar receives a sufficiently detailed proposal, and after any negotiations with respect to the adjustments claimed by Ericsson, the following outcomes are possible:

- (1) Globalstar may decide not to proceed with implementation of the change.
- (2) Globalstar may decide to implement the change, in which case:
 - (a) If the parties have reached agreement about the adjustments to be made in the Agreement, the parties shall execute a formal amendment to the Agreement and Ericsson shall proceed with implementation as agreed; or
 - (b) Globalstar and Ericsson may agree to proceed with implementation of a change prior to execution of a formal amendment, subject to any adjustments subsequently agreed or awarded.

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30. Public Release of Information

Each party agrees to submit to the other party all press releases and other publicity matters wherein the other party's names or marks are mentioned or language from which the connection of said names or marks therewith may be inferred or implied. Each party agrees not to publish such press releases or publicity matters without the other party's prior written approval.

A. During the term of this Agreement, neither party, nor its affiliates, subcontractors, employees, agents and consultants, shall release items of publicity of any kind including, without limitation, news releases, articles, brochures, advertisements, prepared speeches, company reports or other information releases related to the Work performed hereunder, including the denial or confirmation thereof, without the other party's prior written consent.

B. Nothing contained herein shall be deemed to prohibit either party from disclosing this Agreement, in whole or in part, or information relating thereto (i) as may be required by the rules and regulations of a government agency with jurisdiction over the disclosing party or a stock exchange on which the disclosing party's shares are then listed, (ii) as may be required by a subpoena or other legal process (iii) in any action to enforce its rights under this Agreement, (iv) to its lenders under appropriate assurances of confidentiality for the benefit of the disclosing party or (v) to its auditors, attorneys and other professional advisors in the ordinary course, provided that such auditors, attorney and advisors have contractual or professional obligations to maintain the confidentiality of the disclosed material. The disclosing party shall use reasonable commercial efforts to disclose only such information as it believes in good faith it is legally required to disclose pursuant to clauses (i) or (ii), above, and will seek, to the extent reasonably available under applicable rules, to obtain

confidential treatment for any information either party reasonably considers trade secrets and that is required to be disclosed. To the extent practicable, the disclosing party shall provide the other party with a reasonable opportunity in advance of disclosure to request redactions or deletions of specific terms and provisions of the Agreement and shall accommodate those requests to the extent reasonably consistent with applicable confidential treatment rules.

C. Within a reasonable time prior to a proposed issuance of news releases, articles, brochures, advertisements, prepared speeches, and other such information releases concerning the Work performed hereunder, the party desiring to release such information shall request the written approval of the other party concerning the content and timing of such releases. The parties anticipate the issuance of press releases in connection with the execution of the Agreement, which press releases shall be subject to approval by both parties prior to release.

31. Force Majeure

Each party will be excused from performance hereunder (except for payment obligation) for any period and to the extent that it is prevented from such performance, in whole or in part, as a result of delays caused by the other party or an act of God, natural disaster, war, civil disturbance, court order, labor dispute, or other cause beyond its reasonable control and which it could not have prevented by reasonable precautions, including failures or fluctuations in electrical power, heat, light, air conditioning or telecommunications equipment, and such non-performance will not be a default hereunder or a ground for termination hereof.

32. Relationship

The relationship between Globalstar and Ericsson is that of independent contractor. This Agreement does not create any employer-employee, agency, joint venture, or partnership relationship between Globalstar and Ericsson.

33. Miscellaneous

This Agreement shall be governed by the laws of the State of Colorado, other than the choice of law rules. The provisions of this Agreement shall be severable, and if any provisions shall be held unenforceable the remaining provisions shall remain in full force and effect. Expiration or termination of this Agreement for any reason shall not release either party from any liability or obligation set forth in this Agreement which (i) the parties have expressly agreed will survive any such expiration or termination, or (ii) remain to be performed or by their nature would be intended to be applicable following such expiration or termination. This Agreement, each Statement of Work (or purchase order submitted by Globalstar and accepted by Ericsson), and all Exhibits attached hereto or thereto, each of which is hereby incorporated herein or therein, as applicable, for all purposes, constitute the entire agreement between Ericsson and Globalstar with respect to the subject matter hereof and thereof, and there are no understandings or agreements relative hereto or thereto that are not fully expressed herein or therein. Any other terms or conditions included in any quotes, acknowledgements, bills of lading, purchase orders, invoices or other forms utilized or exchanged by the parties hereto that are in addition to or in conflict with those set forth in this Agreement or the applicable Statement of Work will be of no force or effect and will not be incorporated herein or be binding unless specifically and expressly agreed to in writing by both parties. No change, waiver or discharge will be valid unless in writing signed by an authorized representative of the party against whom such change, waiver or discharge is sought to be enforced.

IN WITNESS WHEREOF, the parties to this Agreement have caused their authorized representatives to execute this Agreement as of the Effective Date.

ERICSSON FEDERAL INC.

By: /s/ Douglas C. Smith

Printed Name: Douglas C. Smith

Title: President, Ericsson Federal

GLOBALSTAR, INC.

By: /s/ Thomas M. Colby

Printed Name: Thomas M. Colby

Title: Chief Operating Officer

September 29, 2008

Globalstar, Inc.
461 South Milpitas Blvd.
Milpitas, CA 95035

Attention: Chief Financial Officer

THERMO
TELECOM PARTNERS, LLC
CAPITAL PARTNERS, LLC
COGENERATION, LP
DEVELOPMENT, INC
PROPERTIES, LLC
CREDIT, LLC

SUBJECT: Deferral of Interest under Second Amended and Restated Credit Agreement
Dated December 17, 2007 (the "Credit Agreement")

Gentlemen:

This letter confirms our verbal agreement reached on or about May 21, 2008 that, effective on May 26, 2008 and until further notice is given by Thermo Funding Company, Globalstar should not make any payments with respect to interest becoming due to Thermo Funding under Section 5.1(d) of the Credit Agreement. We further agreed that: (i) such deferred interest ("Outstanding Interest") will continue to accrue without limiting the credit otherwise available to Globalstar under the Credit Agreement; (ii) interest on the Outstanding Interest will, from the effective date of the deferral until fully paid, also accrue at the same rate as applicable to the underlying Loan giving rise to the Outstanding Interest; (iii) such interest on interest will compound and be added to the applicable Outstanding Interest on December 31, 2008 and annually thereafter; (iv) the Outstanding Interest and the interest thereon will become payable 45 days after notice is given by Thermo Funding as above provided; and (v) demand for and receipt of payment as above provided will not constitute a prepayment of the Loans under Sections 2.4 and 4.4 of the Credit Agreement.

Thermo Funding Company, as Administrative Agent and Lender, acknowledges that no action taken by Globalstar pursuant to this letter shall constitute an Event of Default under Section 12.1 of the Credit Agreement. Terms capitalized but not defined in this letter shall have the meanings given to such terms in the Credit Agreement.

For avoidance of doubt, our agreement is for deferral of payment only, and except to the limited extent expressly stated in this letter no principal or interest payment obligations are extinguished, waived, or compromised in any manner whatsoever.

Please acknowledge your agreement to the foregoing by signing, dating and returning a copy of this letter to me.

Sincerely,

THERMO FUNDING COMPANY LLC

/s/ James Monroe III

James Monroe III
Manager

Acknowledged and agreed this 29th day of September, 2008.

GLOBALSTAR, INC.

/s/ Fuad Ahmad

Fuad Ahmad
Chief Financial Officer

Certification of Chief Executive Officer

I, James Monroe III, 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. The registrant's other certifying officer and I are 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our conclusions 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (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: November 10, 2008

By: /s/ JAMES MONROE III
James Monroe III
Chief Executive Officer

Certification of Chief Financial Officer

I, Fuad Ahmad, 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. The registrant's other certifying officer and I are 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 our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us 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 our 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 our conclusions 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (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: November 10, 2008

By: /s/ FUAD AHMAD
Fuad Ahmad
Chief Financial Officer

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), each of the undersigned officers of Globalstar, Inc. (the "Company"), does hereby certify that:

This quarterly report on Form 10-Q for the quarter ended September 30, 2008 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.

Dated: November 10, 2008

By: /s/ JAMES MONROE III
James Monroe III
Chief Executive Officer

Dated: November 10, 2008

By: /s/ FUAD AHMAD
Fuad Ahmad
Chief Financial Officer
