

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, DC 20549

**FORM 10-K**

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

For the fiscal year ended December 31, 2007

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)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.0001 par value	The NASDAQ Global Select Stock Market

Securities registered pursuant to Section 12(g) of the Act:

**None**

Indicate by check mark if the Registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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 by Rule 12b-2 of the Exchange Act) Yes  No

The aggregate market value of the Registrant's common stock held by non-affiliates at June 30, 2007, the last business day of the Registrant's most recently completed second fiscal quarter, was approximately \$274.0 million.

The number of shares of the Registrant's common stock outstanding as of March 4, 2008 was 83,688,090.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for the 2008 Annual Meeting of Stockholders are incorporated by reference in Part III of this Report.

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For the Fiscal Year Ended December 31, 2007

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## Forward Looking Statements

In addition to current and historical information, this Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future operations, prospects, potential products, services, developments and business strategies. These statements can, in some cases, be identified by the use of terms such as "may," "will," "should," "could," "would," "intend," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," the negative of such terms or other comparable terminology. Forward-looking statements, such as the statements regarding our ability to develop and expand our business, 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. These and similar statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by the statements. Such risks and uncertainties include, among others, those listed in "Item 1A. Risk Factors" of this Report. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this Report to reflect actual results or future events or circumstances.

## Item 1. Business

### Overview

Globalstar, Inc. (the "Company") is a leading provider of mobile voice and data communications services via satellite. By providing wireless services in areas not served or underserved by terrestrial wireless and wireline networks, we seek to address our customers' increasing desire for connectivity. Using, at any given time, approximately 48 in-orbit satellites and 25 ground stations, which we refer to as gateways, we offer voice and data communications services in over 120 countries. Sixteen of these gateways are operated by unaffiliated companies (including three gateways in Brazil which we have agreed to acquire), which we refer to as independent gateway operators and which purchase communications services from us on a wholesale basis for resale to their customers.

Our 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 and Qualcomm Incorporated, or 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, we completed the second stage of a two stage acquisition of the business and assets of Old Globalstar. The first stage was completed on December 5, 2003, when Thermo Capital Partners LLC was deemed to obtain operational control of the business, as well as certain ownership rights and risks. The second stage was completed in 2004 when we received final approval from the U.S. Federal Communications Commission, or the FCC. Thermo Capital Partners LLC, which owns and operates companies in diverse business sectors and is referred to in this Report, together with its affiliates, as "Thermo," became our principal owner in this transaction. We refer to this transaction as the "Reorganization."

We were formed as a Delaware limited liability company in November 2003, and were converted into a Delaware corporation on March 17, 2006. Unless we specifically state otherwise, all information in this Report is presented as if we were a corporation throughout the relevant periods.

In anticipation of our initial public offering, which was completed on November 2, 2006, our certificate of incorporation was amended on October 25, 2006 to combine our three series of common stock into one class and our board of directors approved a six-for-one stock split. Unless we specifically state otherwise, all information in this Report is presented as if these corporate events had occurred at the beginning of the relevant periods.

We currently provide the following telecommunications services:

- two-way voice communication between mobile or fixed handsets or user terminals and other mobile and fixed devices;
- two-way data transmissions (which we call duplex) between mobile and fixed data modems; and
- one-way data transmissions (which we call Simplex) between a mobile or fixed device that transmits its location or other telemetry information and a central monitoring station.

In most of the world, we have authority to operate a wireless communications network via satellite over 27.85 MHz of radio spectrum, which is comprised of two blocks of contiguous global radio frequencies. In the United States, the FCC has authorized us to use 25.225 MHz. We refer to our licensed radio frequencies as our "spectrum." We are also licensed by the FCC to use 11MHz of our spectrum to provide an ancillary terrestrial component, known as ATC, in the United States in combination with our existing satellite communications service. On November 9, 2007, the FCC requested comment on whether we should be authorized to provide ATC service over an aggregate 19.275 MHz (an additional 8.275 MHz), of our licensed spectrum. ATC services enable the integration of a satellite-based service with terrestrial wireless service, resulting in a hybrid network designed to provide customers with advanced service and broad coverage.

Our services are available only with equipment designed to work on our network. The equipment we offer to our customers consists principally of:

- mobile telephones;
- fixed telephones;
- telephone accessories, such as car kits and chargers; and
- data modems.

At December 31, 2007, we served approximately 284,000 subscribers. We increased our net subscribers by approximately 8% from December 31, 2006 to December 31, 2007. We count "subscribers" based on the number of devices that are subject to agreements which entitle them to use our voice or data communications services rather than the number of persons or entities who own or lease those devices.

Our satellite constellation was launched in the late 1990s. To supplement our existing satellite constellation, we launched eight spare satellites in 2007. We expect these newly-launched satellites to provide two-way communications service through the deployment of our second-generation constellation. A number of our satellites 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. The S-band antenna provides the downlink from the satellite to a subscriber's phone or data terminal. Degraded performance of an S-band antenna amplifier reduces the availability of two-way voice and data communication between the affected satellite and the subscriber. If the S-band antenna on a satellite ceases to function, two-way communication is impossible over that satellite, but not necessarily over the constellation as a whole. Subscriber service will continue to be available as long as some satellites are functional, but at certain times in any given location it may take longer to establish calls and the average duration of calls may be reduced.

This S-band antenna amplifier degradation does not adversely affect our one-way Simplex data transmission services, which use only the L-band uplink from a subscriber's Simplex terminal to our satellites. We intend to exploit our ability to provide uninterrupted Simplex services with the introduction of new products and services, including the introduction of a consumer-oriented, hand-held tracking and emergency messaging device, the SPOT™ satellite messenger, made commercially available in November 2007. The SPOT satellite messenger uses both the GPS satellite network to determine a customer's location and the SPOT network to transmit that information to friends, family or an emergency service center.

On November 30, 2006, we and Thales Alenia Space entered into a contract for the construction of 48 low-earth-orbit satellites for our second-generation satellite constellation, which we expect to extend the life of our network until at least 2025. The contract requires Thales Alenia Space to commence delivery of the satellites in the third quarter of 2009. At our request, Thales Alenia Space has presented a four-part sequential plan for accelerating delivery of the initial 24 satellites by up to four months. We have accepted the first two portions of this plan. We cannot assure you that any or all of this acceleration will occur. On September 5, 2007, we entered into a contract with Arianespace, 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 procurement of our second-generation satellite constellation and related launch services is approximately \$1.16 billion (the majority of which is denominated in Euros).

Our revenue for the years ended December 31, 2007, 2006 and 2005 was \$98.4 million, \$136.7 million and \$127.1 million, respectively. Our net income (loss) for the years ended December 31, 2007, 2006 and 2005 was \$(27.9) million, \$23.6 million and \$18.7 million, respectively.

## **Industry**

We compete in the mobile satellite services sector of the global communications industry. Mobile satellite services operators provide voice and data services using a network of one or more satellites and associated ground facilities. Mobile satellite services are usually complementary to, and interconnected with, other forms of terrestrial communications services and infrastructure and are intended to respond to users' desires for connectivity at all times and locations. Customers typically use satellite voice and data communications in situations where existing terrestrial wireline and wireless communications networks are impaired or do not exist.

Worldwide, government organizations, military and intelligence agencies, natural disaster aid associations, event-driven response agencies and corporate security teams depend on mobile and fixed voice and data communications services on a regular basis. Businesses with global operating scope require communications services when operating in remote locations around the world. Mobile satellite services users span the forestry, maritime, government, oil and gas, mining, leisure, emergency services, construction and transportation sectors, among others. We believe many existing customers increasingly view satellite communications services as critical to their daily operations.

Over the past two decades, the global mobile satellite services market has experienced significant growth. Increasingly, better-tailored, improved-technology products and services are creating new channels of demand for mobile satellite services. Growth in demand for mobile satellite voice services is driven by the declining cost of these services, the diminishing size and lower costs of the handsets, as well as heightened demand by governments, businesses and individuals for ubiquitous global voice coverage. Growth in mobile satellite data services is driven by the rollout of new applications requiring higher bandwidth, as well as low cost data collection and asset tracking devices.

Communications industry sectors that are relevant to our business include:

- mobile satellite services, which provide customers with connectivity to mobile and fixed devices using a network of satellites and ground facilities;
- fixed satellite services, which use geostationary satellites to provide customers with voice and broadband communications links between fixed points on the earth's surface; and
- terrestrial services, which use a terrestrial network to provide wireless or wireline connectivity and are complementary to satellite services.

Within the major satellite sectors, fixed satellite services and mobile satellite services operators differ significantly from each other. Fixed satellite services providers, such as Intelsat Ltd., Eutelsat Communications ("Eutelsat") and SES Global, and very small aperture terminals companies, such as Hughes Networks and Gilat Satellite Networks, are characterized by large, often stationary or "fixed," ground terminals that send and receive high-bandwidth signals to and from the satellite network for video and high speed data customers and international telephone markets. On the other hand, mobile satellite services providers, such as Globalstar, Inmarsat P.L.C. ("Inmarsat") and Iridium Satellite L.L.C. ("Iridium"), focus more on voice and data services (including data services which track the location of remote assets such as shipping containers), where mobility or small sized terminals are essential. As mobile satellite terminals begin to offer higher bandwidth to support a wider range of applications, we expect mobile satellite services operators will increasingly compete with fixed satellite services operators.

Low earth orbit ("LEO") systems, such as the systems we and Iridium currently operate, reduce transmission delay compared to a geosynchronous system due to the shorter distance signals have to travel. In addition, LEO systems are less prone to signal blockage and, consequently, can provide a better overall quality of service.

Currently, our principal mobile satellite services global competitors are Inmarsat and Iridium. United Kingdom-based Inmarsat owns and operates a geostationary satellite network and U.S.-based Iridium owns and operates a low earth orbit satellite network. Inmarsat provides communications services, such as telephony, fax, video, email and high-speed data services. Iridium offers narrow-band data, fax and voice communications services. We also compete with several regional mobile satellite services providers that operate geostationary satellites, such as Thuraya Satellite Communications Company ("Thuraya"), principally in the Middle East and Africa; Mobile Satellite Ventures ("MSV") and Mobile Satellite Ventures Canada in the Americas; and Asia Cellular Satellite in Asia.

### **Sales and Marketing**

We sell our products and services through a variety of retail and wholesale channels depending on the nature of the product and the targeted market. Our sales and marketing efforts are tailored to each of our geographic regions and targeted markets. In the past, we did not conduct mass consumer marketing campaigns. Rather, our sales professionals targeted specific commercial vertical markets and customers with face-to-face meetings, product trials, advertising in specific publications for those markets and direct mailings. However, with the introduction of our SPOT satellite messenger, we will be targeting our marketing campaigns towards mass audiences. This may include television, print and other means of addressing a wider audience. We also focus a large amount of our marketing activity on tradeshows. In 2007, we attended approximately 35 different corporate tradeshows, where we sponsored booths and demonstrated our products. Our dealers and resellers attended additional tradeshows where they showcased our products.

Our distribution managers are responsible for conducting direct sales with key accounts and for managing agent, dealer and reseller relationships in assigned territories in over 25 countries. They conduct direct sales with key customers and manage approximately 800 distribution outlets. We also distribute our services and products indirectly through approximately 20 major resellers and value added resellers in the United States and through 10 independent gateway operators that employ their own salespeople to sell the full range of our voice and data products and services, directly and indirectly, in over 60 countries. Wholesale sales to independent gateway operators represented approximately 5% of our service revenue for the year ended December 31, 2007. No agent, dealer or reseller represented more than 10% of our revenue for the year ended December 31, 2007.

The reseller channel is comprised primarily of communications equipment retailers companies and commercial communications equipment rental companies that retain and bill clients directly, outside of our billing system. Many of our resellers specialize in niche vertical markets where high-use customers are concentrated. We have productive sales arrangements with major resellers to market our services, including some value added resellers that integrate our products into their proprietary end products or applications.

Our typical dealer is a communications services equipment retailer. We offer competitive service and equipment commissions to our network of dealers to encourage increased sales. Since the Reorganization, we have terminated our relationship with numerous underperforming dealers and agents and replaced them with better performing new dealers and agents. We believe our more stringent dealer and agent requirements and our incentive programs position us to continue to experience growing dealer and agent sales due to a better-trained, focused and motivated sales network.

In addition to sales through our distribution managers, agents, dealers and resellers, customers can place orders through our website at [www.globalstar.com](http://www.globalstar.com) or by calling our customer sales office at (877) 728-7466. To encourage internet sales, our website includes special promotional offers that are unavailable elsewhere. We believe that, as awareness of our services grows and our brand name becomes more recognizable, we will experience an increase in our direct internet and phone order sales. Because we do not need to pay an agent commission, sell our services at reduced margins or provide a reseller discount, our internet and phone sales channels carry the greatest margins. Our website and call center provide a user-friendly interface with consumers looking for a simple transaction or customer support.

#### *SPOT Satellite Messenger*

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 Bass Pro Shops, Big 5 Sporting Goods, Big Rock Sports, Boater's World, Cabela's, Campmor, Joe's Sport, Outdoor and More, Orvis, REI, Rescue Source 3, Sportsman's Warehouse, West Marine and Wymit. Our objective is to sell our SPOT satellite messenger through approximately 5,000 distribution points by the end of the second quarter of 2008 and 10,000 in 2009. Currently, the SPOT satellite messenger is being sold through approximately 2,000 distribution points. We also intend to sell SPOT products and services directly using our existing salesforce into key vertical markets and through our direct e-commerce website ([www.findmespot.com](http://www.findmespot.com)).

#### *Independent Gateway Operators*

Our wholesale operations encompass primarily bulk sales of wholesale minutes to the independent gateway operators around the globe. These independent gateway operators maintain their own subscriber bases that are exclusive to us and promote their own service plans. The independent gateway

operator system has allowed us to expand in regions that hold significant growth potential but are harder to serve without sufficient operational scale or where local regulatory requirements or business or cultural norms do not permit us to operate directly. Our wholesale efforts also include our Simplex and duplex data tracking devices.

Set forth below is a list of independent gateway operators as of December 31, 2007:

Location	Gateway	Independent Gateway Operators
Argentina	Bosque Alegre	TE.SA.M Argentina
Australia	Dubbo	Globalstar Australia PTY Limited
Australia	Mount Isa	Globalstar Australia PTY Limited
Australia	Meekatharra	Globalstar Australia PTY Limited
Brazil(1)	Manaus	Globalstar do Brasil
Brazil(1)	Presidente Prudente	Globalstar do Brasil
Brazil(1)	Petrolina	Globalstar do Brasil
China	Beijing	China Spacecom
Italy	Avezzano	Elsacom N.V.
Korea	Yeo Ju	Dacom
Mexico	San Martin	Globalstar de Mexico
Peru	Lurin	TE.SA.M Peru
Russia	Khabarovsk	GlobalTel
Russia	Moscow	GlobalTel
Russia	Novosibirsk	GlobalTel
Turkey	Ogulbey	Globalstar Avrasya

- (1) We have agreed to acquire these gateways and operating rights in Brazil from Globalstar do Brasil. See Note 3 to our consolidated financial statements included in Item 8 of this Report.

We do not own or control these independent gateway operators nor do we operate their gateways. We own and operate directly gateways in the United States, Canada, Venezuela, Nicaragua, Puerto Rico and France. See "Item 2. Properties."

### Services and Products

Our principal services are satellite communications services, including mobile and fixed voice and data services and asset tracking and monitoring services. We introduced our asset tracking and monitoring services in late 2003, and demand for these services has grown rapidly since then. Sales of all services accounted for approximately 80%, 67% and 64% of our total revenues for the years ended December 31, 2007, 2006 and 2005, respectively. We also sell the related voice and data equipment to our customers, which accounted for approximately 20%, 33% and 36% of our total revenues for the years ended December 31, 2007, 2006 and 2005, respectively.

## **Our Services**

### *Mobile Voice and Data Satellite Communications Services*

We offer our mobile voice and data services to customers via numerous monthly plans at price levels that vary depending upon expected usage. Except for our asset tracking and remote monitoring service, which we refer to as our Simplex service, subscribers under these plans typically pay an initial activation fee to the agent or dealer, as well as a monthly usage fee to us that entitles the customer to a fixed number of minutes in addition to services such as voicemail, call forwarding, short messaging, email, data compression and internet access. We receive both an activation fee and monthly fee for Simplex services. Extra fees may apply for non-voice services, roaming and long-distance.

We regularly innovate our service offerings. We have introduced a number of innovative pricing plans such as "bundled minutes," Annual Plans and Unlimited Plans.

### *Fixed Voice and Data Satellite Communications Services*

We provide fixed voice and data services in rural villages, at remote industrial, commercial and residential sites and on ships at sea, among other places. Fixed voice and data satellite communications services are in many cases an attractive alternative to mobile satellite communications services in situations where multiple users will access the service within a defined geographic area and cellular or ground phone service is not available. Our fixed units also may be mounted on vehicles, barges and construction equipment and benefit from the ability to have higher gain antennas. Our fixed voice and data service plans are similar to our mobile voice and data plans and offer similar flexibility. In addition to offering monthly service plans, our fixed phones can be configured as pay phones (installed at a central location, for example, in a rural village) that accept tokens, debit cards, prepaid usage cards, or credit cards.

### *Satellite Data Modem Services*

In addition to data utilization through fixed and mobile services described above, we also offer data-only services. Our principal competitor providing these services is Orbcomm Inc., which describes its market as two-way machine-to-machine communications and which reported about 318,000 subscribers at September 30, 2007. Our system is well-suited to handle duplex data transmission. Duplex devices have two-way transmission capabilities; for asset-tracking applications, this enables customers to control directly their remote assets and perform more complicated monitoring activities. We offer asynchronous and packet data service in all of our territories. Customers can use our products to access the internet, corporate virtual private networks and other customer specific data centers. Satellite data modems are sold principally through integrators and value added resellers, who developed innovative end-market solutions, such as the Safety Star product, designed to address lone worker safety concerns, and the Skyhawk product, designed for maritime use. Our satellite data modems can be activated under any one of our current pricing plans. Satellite data modems are a fast growing product group that provide solutions that are accessible in every region we serve. The revenue that flows from these products provides an important and growing source of recurring service revenue and subscriber equipment sales for us.

Additionally, we offer a data acceleration and compression service to the satellite data modem market. This service increases web-browsing, email and other data transmission speeds without any special equipment or hardware.

### *Personal Asset Tracking and Remote Monitoring (Simplex)*

Our Simplex service is designed to address the market need for a small and cost-effective solution for sending data (such as location) from assets in remote locations to a central monitoring station.

Simplex is a one-way burst data transmission to our network from a Simplex telemetry unit, which may be located, for example, on a container in transit. At the heart of the Simplex service is an application server, which is located at a gateway. This server receives and collates messages from all Simplex telemetry units received on our satellite network. Simplex transmitting devices consist of a Simplex telemetry unit, an application specific sensor, a battery (with up to a seven-year life depending on the number of transmissions) and optional global positioning functionality. The small size of the units makes them attractive for use in applications such as tracking asset shipments, monitoring unattended remote assets, trailer tracking and mobile security. Our Simplex service was introduced in 2003. Current users include various governmental agencies, including the Federal Emergency Management Agency (FEMA), the U.S. Army and the Mexican Ministry of Education, as well as commercial and other entities such as General Electric, Dell and The Salvation Army.

Customers are able to realize an efficiency advantage from tracking assets on a single system as opposed to several regional systems. Simplex services are currently available from equipment installed into gateways in North America, Europe, Venezuela, Mexico, Turkey, Korea, Australia, Peru and Russia. In 2007, we expanded our coverage in Eastern Australia and New Zealand and we plan to expand our coverage into South America and South Asia. We sell our Simplex services through value added resellers. Value added resellers purchase the services directly from us by subscribing to various pricing options offered by us to address various applications for this service and resell them to the end user. We receive a monthly subscription service fee and a one-time activation fee for each activated Simplex device.

## **Our Products**

### *Voice and Data Equipment*

Our services are available for use only with equipment designed to work on our network, which is typically sold to users in conjunction with an initial service plan. Our mobile phones, similar to ordinary cellular phones, are simple to use. In the fourth quarter of 2006, we began offering a new satellite-only GSP-1700 phone, which is an update to the GSP-1600. The new phone includes a user-friendly color LCD screen and a rugged, water resistant case available in multiple colors. The phones represent a significant improvement over earlier-generation equipment, and we believe that the advantages will drive increased adoption from prospective users as well as increased revenue from our existing subscribers. We also believe that the GSP-1700 is among the smallest, lightest and least-expensive satellite phones available. We are the only satellite network operator currently using the patented QUALCOMM CDMA technology that permits the selection of the strongest signal available.

Currently, QUALCOMM manufactures all of our mobile phones and most of our accessories. In addition to the GSP-1700, we continue to offer our remaining inventories of GSP-1600 tri-mode units that work on AMPS (the North American analog cellular standard) and CDMA digital cellular networks, as well as on our satellite system.

In May 2005, we entered into an agreement with QUALCOMM to manufacture next-generation mobile and fixed devices. Under this agreement, QUALCOMM agreed to supply us with what we project will be a supply of advanced mobile phone units and accessories and advanced data products sufficient to meet our expected demand through 2011.

In addition to our principal products described above, we offer a large selection of related accessories for our line of phones, including car kits, cigarette lighter adapters, wall chargers, travel chargers and remote antennas. Under our agreement with QUALCOMM, it also will produce for us second-generation car kits and other accessories. We believe that sales of these high-margin accessories, especially of car kits, also drive additional product usage, which in turn results in higher service revenue.

In addition to traditional satellite handsets, we sell multiple specialized products designed to address the specific needs of certain attractive end-user markets including the emergency response and maritime markets. These products include:

*Emergency Response.* Our Globalstar Emergency Management Communications System (GEMCOMS) is comprised of five of our fixed phones conveniently mounted in a container allowing for quick deployment, set-up and operation in an emergency situation. GEMCOMS can operate as a standalone unit (allowing up to five simultaneous Globalstar phone calls) or be combined with a small and relatively inexpensive "picocell" to provide an almost instantaneous local cellular capability in areas where the infrastructure has been damaged or destroyed. GEMCOMS operates like stand-alone cellular phone sites. Prototypes of this system were made available to FEMA for use in support of the disaster relief efforts for Hurricanes Katrina, Rita and Wilma.

*Maritime.* We provide mobile satellite services specialized for the maritime market through equipment manufactured and sold by SeaTel Wavecall. SeaTel Wavecall currently produces two maritime products: the Wavecall 3000 and the Wavecall MCM3. The Wavecall 3000 provides a voice and data capability for maritime users with up to 9.6 Kbps (with compressed speeds of up to 38.4 Kbps) data throughput while the MCM3 provides voice and data with a throughput of up to 28.8 Kbps (with compressed speeds of up to 144 Kbps). The omni directional antenna (available on all our products) and small physical package provides a significant savings in both equipment and airtime costs compared to competitive systems. Key users of the WaveCall 3000 include the United States Coast Guard and commercial fishermen.

#### *Data-Only Equipment*

The satellite data modem model GSP-1620 duplex data device developed and manufactured by QUALCOMM provides packet data and data processing capability over our network. The satellite data modem model GSP-1620 has compressed speeds of up to 38.4 Kbps and is highly programmable to meet multiple applications.

During the second half of 2007, our integrators continued to introduce new and innovative products using our Simplex services. Guardian Mobility Corporation introduced a new group of satellite data modems known as the Tracer 3 Product Family. The data modems are designed to communicate via our Simplex network and are capable of providing data monitoring and GPS-based asset tracking information to customers from remote regions. The Tracer 3 Product Family joined Guardian Mobility's suite of Simplex data products, which includes its Skytrax family of general aviation automated flight following solutions. In addition, Numerex Orbit One, another of our integrators, announced the introduction of its SX-1 as the world's smallest asset tracking modem.

*Multi-Channel Modem.* In the first half of 2006, we introduced our multi-channel modem to the market. We offer the multi-channel modem with four modem boards ("MCM4") or up to 16 modem boards. Each MCM4 has a single remote antenna and facilitates data rates up to 38.4 Kbps (with compressed speeds of between 144 and 256 Kbps).

*QUALCOMM GSP-1720 Satellite Voice and Data Modem.* Under our May 2005 agreement, QUALCOMM is manufacturing an updated satellite voice and data modem known as the GSP-1720 that is based on the same technology used in the GSP-1700 phone. We introduced the GSP-1720 modem in the first half of 2007. The GSP-1720 is a new satellite voice and data modem board with multiple antenna configurations and an enlarged set of commands for modem control and is smaller, less expensive and easier to operate than our current product. We expect this new board will be attractive to integrators because it will have more user interfaces that are easily programmable, which will make it easier for value added resellers to integrate the satellite modem processing with the specific application (e.g., monitoring and controlling oil and gas pumps, monitoring and controlling

electric power plants and more economically facilitating security and control monitoring of remote facilities).

### *SPOT Satellite Messenger*

In the fourth quarter of 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, we expect this new Globalstar device to provide consumers with the capability to geographically trace or map the location of individuals. The product will also enable users to transmit messages to a specific preprogrammed email address, phone or data device, including a request for assistance in the event of an emergency.

- **SPOT Addressable Market**

We believe the addressable market for our SPOT products and services in North America alone is approximately 50 million units. 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 products and services relies, covers approximately 50% of the world population. We intend to market our SPOT product and services aggressively in our overseas markets including South and Central America, Western Europe, and through independent gateway operators in their respective territories.

- **SPOT Pricing**

The pricing for SPOT products and services is intended to be extremely competitive. Annual service fees currently range from \$99.99 for our basic level plan to \$149.98 for additional tracking capability. The maximum suggested retail price for the equipment is \$169.99 per unit.

We began commercial sales of SPOT products and services only recently, and its commercial success can not be assured.

### **Customers**

The specialized needs of our global customers span many markets. Our system is able to offer our customers cost-effective communications solutions in areas underserved or unserved by existing telecommunications infrastructures. Although traditional users of wireless telephony and broadband data services have access to these services in developed locations, our targeted customers often operate or live in remote or under-developed regions where these services are not readily available or are not provided on a reliable basis.

Our top revenue generating markets in the United States and Canada, are (i) government (including federal, state and local agencies), public safety and disaster relief, (ii) recreation and personal and (iii) maritime and fishing, comprising 26%, 16% and 9%, respectively, of our total subscribers in those regions at December 31, 2007. We also serve customers in the markets of telecommunications, oil and gas, natural resources (mining and forestry), and construction and utilities, which together comprised approximately 23% of our total subscribers in the United States and Canada at December 31, 2007. We focus our attention on obtaining customers who will be long-term users of our services and products and who will generate high average revenue per user and, therefore, higher revenue growth.

None of our customers were responsible for more than 10% of our revenue in 2006 or 2007.

## **Our Spectrum**

In most of the world, we are authorized to operate a wireless communications network via satellite over 27.85 MHz of radio spectrum comprised of two blocks of contiguous global radio frequencies. In the United States, the FCC has authorized us to use 25.225 MHz. Most of our competitors only have access to spectrum frequencies regionally. Access to this global spectrum enables us to design satellites, network and terrestrial infrastructure enhancements cost effectively because the products and services can be deployed and sold worldwide. This broad spectrum assignment enhances our ability to capitalize on existing and emerging wireless and broadcast applications.

Because most of the desirable spectrum below 3GHz has already been allocated by the FCC or will be auctioned by the FCC for terrestrial wireless services, we believe there are limited options for new spectrum allocations. Utilization of existing spectrum is growing quickly. Our spectrum location near the PCS bands should allow us to deploy cost effectively the terrestrial component of an ATC network by leveraging existing terrestrial wireless infrastructures and by adopting off-the-shelf infrastructure equipment to our spectrum bands. Further, we believe the ability of our current network to support ATC services will allow us to introduce new services and capabilities before our competitors. 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 U.S. ATC license. See "Ancillary Terrestrial Component (ATC)."

The FCC has allocated a total of 40 MHz of spectrum at 2 GHz for mobile satellite services. This augments the mobile satellite services spectrum allocation at 1.6 and 2.4 GHz and 1.5 and 1.6 GHz. In 2001, we received a license to use a portion of this 2 GHz spectrum. In February 2003, the FCC's International Bureau cancelled our authorization based upon our alleged inability to meet future construction milestones and, in June 2004, the FCC affirmed this cancellation. We have asked for reconsideration of the cancellation although there can be no assurance that the FCC will reconsider it. See "Regulation—2 GHz Spectrum" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview."

## **Domestic and Foreign Revenue**

We supply services and products to a number of foreign customers. Although most of our sales are denominated in U.S. dollars, we are exposed to currency risk for sales in Canada and Europe. In 2007, approximately 37% of our sales were denominated in foreign currencies. For information on our revenue from sales to foreign and domestic customers, see Note 10 to our consolidated financial statements in Item 8 of this Report.

## **Our Network**

Our satellite network includes, at any given time approximately 48 in-orbit operational low earth orbit satellites, plus in-orbit spares. The design of our orbital planes and the positioning of our ground stations ensure that generally at least one satellite is visible to subscribers for certain services, from any point on the earth's surface between 70° north latitude to 70° south latitude, covering most of the world's population. However, because of the S-band antenna amplifier degradation in some of our satellites, as described below, not all subscribers can access a satellite for their two-way communications services at all times in all locations. Our satellite configuration combines two different orbital configurations. Each satellite has a high degree of on-board subsystem redundancy, an on-board fault detection system and isolation and recovery for safe and quick risk mitigation. Our ability to reconfigure the orbital location of each satellite provides us with operating flexibility and continuity of service. The design of our space and ground control system facilitates the real time intervention and management of the satellite constellation and service upgrades via hardware and software enhancements.

On November 30, 2006, we entered into a definitive contract with Thales Alenia Space to construct 48 low orbit satellites for our second-generation satellite constellation and to provide launch-related and operations support services. 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 for our second-generation satellite constellation. On September 5, 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 procurement of our second-generation satellite constellation and related launch services is approximately \$1.16 billion (the majority of which is denominated in Euros). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments."

Our satellites communicate with our network of 25 gateways, each of which serves an area of approximately 700,000 to 1,000,000 square miles. In addition to our satellites and nine gateways, we have in storage spare parts for our gateways and our independent gateway operators' gateways, including antennas and gateway electronic equipment. We selectively replace parts as necessary, and anticipate that this supply will sufficiently serve all of our gateway needs throughout the expected life of our existing satellite constellation.

Each of our gateways has multiple antennas that communicate with our satellites and pass calls seamlessly between antenna beams and satellites as the satellites traverse the gateways, thereby reflecting the signals from our users' terminals to our gateways. Once a satellite acquires a signal from an end-user, the user is authenticated by the serving gateway and then the voice or data channel is established to complete the call to the public switched telephone network, to a cellular or another wireless network, or, in the case of a Simplex data call, to the internet.

We believe that our terrestrial gateways provide a number of advantages over the in-orbit switching used by our principal competitor, including better call quality and convenient regionalized local phone numbers for inbound calling. We also believe that our network's design, which relies on terrestrial gateways rather than in-orbit switching, enables faster and more cost-effective system maintenance and upgrades because the system's software and much of its hardware is based on the ground. Our multiple gateways allow us to reconfigure our system quickly to extend another gateway's coverage to make up some or all of the coverage of a disabled gateway or to handle increased call capacity resulting from surges in demand.

Our network uses QUALCOMM's patented CDMA technology to permit dynamic selection of the strongest available signals. Patented receivers in our handsets track the pilot channel or signaling channel as well as three additional communications channels simultaneously. Compared to other satellite and network architectures, we offer superior call clarity, virtually no discernable delay and, with satellites unaffected by the S-band antenna degradation, a low incidence of dropped calls. Our system architecture provides full frequency re-use. This maximizes diversity (which maximizes quality) and maximizes capacity as the assigned spectrum can be reused in every satellite beam in every satellite. Our network also works with internet protocol data for reliable transmission of IP messages. We have a long-standing relationship with QUALCOMM for the manufacture of our phone handsets and data terminals.

Although our network is CDMA-based, it is configured so that we can also support one or more other air interfaces that we select in the future. For example, we have developed a non-QUALCOMM proprietary CDMA technology to offer Simplex data services. Because our satellites are essentially "mirrors in the sky," and all of our network's switches and hardware are located on the ground, we can easily and relatively inexpensively modify our ground hardware and software to use other wave forms to meet customer demands for new and innovative services and products. At this time, we are developing several inexpensive additional products and services which will operate in this manner.

## Gateway Acquisitions and Openings

Effective January 1, 2006, we consummated the purchase of all of the issued and outstanding stock of Globalstar Americas Holding ("GAH"), Globalstar Americas Telecommunications ("GAT"), and Astral Technologies Investment Limited ("Astral"), collectively, the "GA Companies." The GA Companies owned assets, contract rights, and licenses to operate a satellite communications business in Panama, Nicaragua, Honduras, El Salvador, Guatemala, and Belize. We believe the purchase of the GA Companies will further enhance our presence and coverage in Central America and consolidation efforts. The purchase price for the GA Companies was \$5.2 million payable substantially 100% in our common stock. In accordance with the acquisition agreement, we have issued approximately 521,000 shares of our common stock to the selling stockholders of the GA Companies for the purchase price and interest. See Note 3 to our Consolidated Financial Statements in Item 8 of this Report.

In December 2007, we agreed to acquire an independent gateway operator that owns and operates three satellite gateway ground stations in Brazil for \$6.5 million. The purchase price will be paid primarily in our common stock.

We have begun construction of a gateway in Singapore at a total cost of approximately \$4.0 million. We expect the Singapore gateway to be fully operational in the second half of 2008.

We have entered into an agreement to construct a gateway in Kaduna, Nigeria, to be owned and operated by Globaltouch (West Africa) Limited, for which Globaltouch will pay us \$8.4 million. In addition, we have agreed to acquire 30% of the ordinary shares of Globaltouch for \$1.8 million.

## Ancillary Terrestrial Component (ATC)

### *Background*

In February 2003, the FCC adopted rules that permit satellite service providers to establish ATC networks. ATC authorization enables the integration of a satellite-based service with terrestrial wireless services, resulting in a hybrid mobile satellite services/ATC network designed to provide advanced services and broad coverage throughout the United States. The ATC network would extend our services to urban areas and inside buildings 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. For a description of the FCC's ATC rules and our authorization to provide ATC services, see "Regulation—United States FCC Regulation—ATC."

On January 20, 2006, we were granted authorization by the FCC to operate an ATC network initially over 11 MHz of our spectrum, divided into 5.5 MHz in the L-band and 5.5 MHz in the S-band. On November 9, 2007, the FCC issued a Notice of Proposed Rulemaking requesting public comment on whether we should be authorized to provide ATC service in a total of 19.275 MHz of our spectrum. Outside the United States, other countries are implementing regulations to facilitate ATC services. We are committed to pursuing ATC licenses in those jurisdictions and have begun this effort in Canada and Europe.

In keeping with the FCC's decision, ATC services must be complementary or ancillary to mobile satellite services in an "integrated service offering," which can be achieved by using "dual-mode" devices capable of transmitting and receiving mobile satellite services and ATC signals. Further, user subscriptions that include ATC services must also include mobile satellite subscription services. Because of these requirements, the number of potential early stage competitors in providing ATC services is limited, as only mobile satellite services operators who are offering commercial satellite services can provide ATC services. At the time we commence ATC operations, we must meet all of the FCC's authorization requirements, including an in-orbit spare requirement.

## ATC Opportunities

We believe we are uniquely positioned to benefit from the development of our ATC license given our existing in-orbit satellite fleet and ground stations and we may be among the first to introduce these services. Unlike several of our competitors, who need to launch new satellites and build ground facilities, our existing constellation and our ground stations, with relatively minor modification, are technically capable of accommodating ATC operations. Even with high-bit rate applications, we believe that our network and spectrum are sufficient to meet the demanding band-width requirements of the current and next generation of wireless services.

We could offer the following terrestrial services, among others, with ATC:

- mobile voice
- mobile broadband data
- fixed broadband data
- voice over internet protocol, or VOIP
- multi-casting and broadcasting services for music and video

We are considering a range of options for rollout of our ATC services. We are exploring selective opportunities with a variety of media and communications companies to capture the full potential of our spectrum and U.S. ATC license.

On October 31, 2007, we entered into an agreement with Open Range Communications, Inc., or Open Range, that, subject to the conditions described below, 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 terrestrial wireless WiMAX services with a dual mode terrestrial/MSS terminal to over 500 rural American communities. We expect initial deployment 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 application for a \$268.0 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 maximum 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, \$1.0 million of which was made available on November 1, 2007 in the form of a loan. 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 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.

On November 9, 2007, the FCC released a Second Order on Reconsideration, Second Report and Order and Notice of Proposed Rulemaking dealing both with our June 2006 petition for rulemaking to expand its ATC-authorized spectrum to greater than 11 MHz and with the current L-band sharing arrangement between Globalstar and Iridium. The two proceedings are interrelated because, the FCC noted, the agency has reservations about the feasibility of our operating a terrestrial ATC service in the portions of our spectrum that we share with other terrestrial wireless or mobile satellite operators. In

the ATC Notice of Proposed Rulemaking ("NPRM") portion of the decision, the FCC requested comment on whether we should be authorized to provide ATC over an aggregate 19.275 MHz of our licensed spectrum, including the portion of our S-band between 2483.5 and 2495 MHz and in the portion of the L-band that we do not share with Iridium. The FCC did not propose to allow ATC in the 2496-2500 MHz portion of the S-band which we share with the Broadband Radio Service ("BRS") or the 2495-2496 MHz guard band between Globalstar and BRS. We have filed comments and reply comments which, we believe, demonstrate that we can operate in the entire 11.5 MHz below 2495 MHz without causing interference to any other in-band or adjacent service.

Northern Sky Research has predicted that the ATC services market will account for 29% of in-service mobile satellite units and 16% of industry retail revenues by the end of 2010.

### **Competition**

The global communications industry is highly competitive. We currently face substantial competition from other service providers that offer a range of mobile and fixed communications options. Our most direct competition comes from other global mobile satellite services providers. Our two largest global competitors are Inmarsat and Iridium. We compete primarily on the basis of coverage, quality, portability and pricing of services and products.

Inmarsat has been a provider of global communications services since 1982. Inmarsat owns and operates a fleet of geostationary satellites. Due to its multiple-satellite geostationary system, Inmarsat's coverage area extends and covers most bodies of water more completely than we do. Accordingly, Inmarsat is the leading provider of satellite communications services to the maritime sector. Inmarsat also offers global land-based and aeronautical communications services. Inmarsat generally does not sell directly to customers. Rather, it markets its products and services principally through a variety of distributors, including Stratos Global Corporation, Telenor Satellite Services, Vizada (formerly France Telecom Mobile Satellite), KDDI Corporation and The SingTel Group, who, in most cases, sell to additional downstream entities who sell to the ultimate customer. We compete with Inmarsat in several key areas, particularly in our maritime markets. We believe that the size and functionality of our mobile handsets and data devices are superior to Inmarsat's fixed units, which tend to be significantly bulkier and more cumbersome to operate. In addition, our products generally are substantially less expensive than those of Inmarsat.

Iridium owns and operates a fleet of low earth orbit satellites that is similar to our network of satellites. Iridium entered into bankruptcy protection in March 2000 and was out of service from March 2000 to January 2001. Since Iridium emerged from bankruptcy in 2001, we have faced increased competition from Iridium in some of our target markets. Iridium provides data and voice services at rates of up to 2.4 Kbps, which is approximately 25% of our uncompressed speed. Because Iridium switches calls between satellites, it is able to cover deep ocean areas that we cannot cover with our land-based gateways.

We compete with regional mobile satellite communications services in several markets. In these cases, our competitors serve customers who require regional, not global, mobile voice and data services, so our competitors present a viable alternative to our services. All of these competitors operate geostationary satellites. Our regional mobile satellite services competitors currently include Thuraya, principally in the Middle East and Africa; Asian Cellular Satellites in Asia; MSV and Mobile Satellite Ventures Canada in the Americas; and Optus MobileSat in Australia.

In some of our markets, such as rural telephony, we compete directly or indirectly with very small aperture terminal operators that offer communications services through private networks using very small aperture terminals or hybrid systems to target business users. Very small aperture terminal operators have become increasingly competitive due to technological advances that have resulted in smaller, more flexible and cheaper terminals.

We compete indirectly with terrestrial wireline (landline) and wireless communications networks. We provide service in areas that are inadequately covered by these ground systems. To the extent that terrestrial communications companies invest in underdeveloped areas, we will face increased competition in those areas. We believe that local telephone companies currently are reluctant to invest in new switches and landlines to expand their networks in rural and remote areas due to high costs and to decreasing demand and subscriber line loss associated with wireless telephony. Many of the underdeveloped areas are sparsely populated so it would be difficult to generate the necessary returns on the capital expenditures required to build terrestrial wireless networks in such areas. We believe that our solutions offer a cost-effective and reliable alternative to ground-based wireline and wireless systems and that continued growth and utilization will allow us to further lower costs to consumers.

Our industry has significant barriers to entry, including the cost and difficulty associated with obtaining spectrum licenses and successfully building and launching a satellite network. In addition to cost, there is a significant amount of lead-time associated with obtaining the required licenses, designing and building the satellite constellation and synchronizing the network technology. We will continue to face competition from Inmarsat and Iridium and other businesses that have developed global mobile satellite communications services in particular regions. We will also face competition from incipient mobile satellite ATC services providers, such as TerreStar and ICGlobal, who are currently designing a core satellite operating business and a terrestrial component around their spectrum holdings.

## **Employees**

As of December 31, 2007, we had 330 full-time employees and 5 part-time employees, none of whom is subject to any collective bargaining agreement. We consider our employee relations to be good.

## **Intellectual Property**

At December 31, 2007, we held 80 U.S. patents with 13 additional U.S. patents pending and 11 foreign patents with 13 additional foreign patents pending. These patents expire between 2010 and 2021. These patents cover many aspects of our satellite system, our global network and our user terminals. In recent years, we have reduced our foreign filings and allowed some previously-granted foreign patents to lapse based on (a) the significance of the patent, (b) our assessment of the likelihood that someone would infringe in the foreign country, and (c) the probability that we could or would enforce the patent in light of the expense of filing and maintaining the foreign patent which, in some countries, is quite substantial. We continue to maintain all of the patents in the United States, Canada and Europe which we believe are important to our business.

## **Regulation**

### **United States FCC Regulation**

#### *Mobile Satellite Services Spectrum and Satellite Constellation.*

Our satellite constellation and four U.S. gateways are licensed by the FCC. Our system is sometimes called a "Big LEO" (for "low earth orbit") system.

Prior to November 9, 2007, we held regulatory authorization for two pairs of frequencies on our current system: user links (from the user to the satellites, and vice versa) in the 1610 - 1621.35 and 2483.5 - 2500 MHz bands and feeder links (from the gateways to the satellites, and vice versa) in the 5091 - 5250 and 6875 - 7055 MHz bands. On November 9, 2007, the FCC released a Second Order on Reconsideration, Second Report and Order and Notice of Proposed Rulemaking. In the Report and Order ("R&O") portion of the decision, the FCC effectively decreased the L-band spectrum available

to us while increasing the L-band spectrum available to Iridium by 2.625 MHz. On February 5, 2008, we filed a notice of appeal of the FCC's decision in the U.S. Court of Appeals for the D.C. Circuit.

The FCC authorizes the operation of our satellite constellation and our gateways and mobile phones in the United States. We will need FCC approval for the operation of our second-generation constellation, but we believe this approval will be routine. Gateways outside the United States are licensed by the respective national authorities; these licenses are held by our foreign subsidiaries or the independent gateway operators.

Three of our subsidiaries hold our FCC licenses. Globalstar Licensee LLC holds our mobile satellite services license. GUSA Licensee LLC ("GUSA"), is authorized by the FCC to distribute mobile and fixed subscriber terminals and to operate gateways in the United States. GUSA also holds the licenses for our gateways in Texas, Florida and Alaska. Another subsidiary, GCL Licensee LLC ("GCL"), holds an FCC license to operate a gateway in Puerto Rico. GCL is also subject to regulation by the Puerto Rican regulatory agency.

#### *ATC.*

In January 2006, the FCC granted our application to add an ATC service to our existing mobile satellite services. ATC authorization enables the integration of a satellite-based service with terrestrial wireless services, resulting in a hybrid mobile satellite services/ATC network designed to provide advanced services and ubiquitous coverage throughout the United States. The FCC regulates mobile satellite services operators' ability to provide ATC-related services, and our authorization is predicated on compliance with and achievement of various "gating criteria" adopted by the FCC in February 2003 and summarized below.

- The mobile satellite services operator must demonstrate that its satellites are capable of providing substantial satellite service to all 50 states, Puerto Rico and the U.S. Virgin Islands and that its network can offer commercial mobile satellite services service to subscribers throughout that area. A mobile satellite services operator can provide ATC services only within its satellite footprint and within its assigned spectrum.
- Mobile satellite services and ATC services must be fully integrated either by supplying subscribers with dual-mode mobile satellite services/ATC devices or otherwise showing that the ATC service is substantially integrated with the mobile satellite services service.
- Companies, including our company, that operate low earth orbit constellations must maintain an in-orbit spare satellite at the time that they initiate ATC service.
- The mobile satellite services operator may not offer terrestrial-only subscriptions.

In June 2006, we petitioned the FCC to authorize us to use all of our remaining spectrum for ATC services. On November 9, 2007, the FCC released a Second Order on Reconsideration, Second Report and Order and Notice of Proposed Rulemaking dealing both with our June 2006 petition for rulemaking to expand its ATC-authorized spectrum to greater than 11 MHz and with the current L-band sharing arrangement between Globalstar and Iridium (see "Spectrum Sharing" below). The two proceedings are interrelated because, the FCC noted, the agency has reservations about the feasibility of our operating a terrestrial ATC service in the portions of our spectrum that we share with other terrestrial wireless or mobile satellite operators. In the ATC Notice of Proposed Rulemaking ("NPRM") portion of the decision, the FCC requested comment on whether we should be authorized to provide ATC over an aggregate 19.275 MHz of our licensed spectrum, including the portion of our S-band between 2483.5 and 2495 MHz and in the portion of the L-band that we do not share with Iridium. The FCC did not propose to allow ATC in the 2496-2500 MHz portion of the S-band which we share with the Broadband Radio Service ("BRS") or the 2495-2496 MHz guard band between Globalstar and BRS. We have filed comments and reply comments which, we believe, demonstrate that

we can operate in the entire 11.5 MHz below 2495 MHz without causing interference to any other in-band or adjacent service.

### *2 GHz Spectrum.*

On July 17, 2001, the FCC granted Old Globalstar and seven other applicants authorizations to construct, launch and operate mobile satellite services systems in the 2 GHz mobile satellite services band, subject to strict milestone requirements. In the case of foreign-licensed applicants, the FCC "reserved" spectrum but required the foreign applicants to meet the same milestones as the domestic applicants. On July 17, 2002, Old Globalstar requested the FCC to grant certain waivers of later milestones. On January 30, 2003, the FCC's International Bureau denied our waivers and declared the 2 GHz license to be null and void. In June 2004, the FCC declined to reverse that decision, and we requested reconsideration, which request remains pending. Subsequently, all but two of the other licensees (TerreStar Networks, Inc., a Canadian company licensed by Industry Canada, and ICO Global Communications, a company licensed in the U.K.) either surrendered their licenses or had them cancelled.

On December 9, 2005, the FCC decided to reserve all of the 40 MHz allocation for TMI/TerreStar and ICO Global Communication, both of which are non-U.S. corporations, although the reservation was made expressly subject to the outcome of our request for reconsideration of the invalidation of our 2 GHz license. It is unlikely that the FCC will reverse its decision; however, we do not believe that our existing operations or plans for the introduction of ATC services or for a second-generation satellite constellation will be adversely impacted if the 2 GHz license is not reinstated.

### *Spectrum Sharing.*

In July 2004, the FCC issued a decision giving Iridium shared access to the 1618.25 - 1621.35 MHz portion of our 1610 - 1621.35 MHz band. We share this portion of the band with Iridium on a "co-primary" basis for uplink usage, but we retain priority and are "primary" with respect to the downlink usage in this band. Previously, Iridium had exclusive access to 1621.35 - 1626.5 MHz, and, except for the requirement to protect certain radio astronomy operations, we had exclusive access to 1610 - 1621.35 MHz, subject to the possible future development of new CDMA-based systems compatible with ours. We requested reconsideration of certain portions of this decision, including the specific frequencies that must be shared with Iridium and the technical requirements that will govern the sharing. Iridium sought to extend the sharing over an additional 2.25 MHz of our spectrum, which we have vigorously opposed. On November 9, 2007, the FCC issued a Second Order on Reconsideration changing Globalstar's and Iridium's assignments. Globalstar and Iridium each has access to 7.775 MHz of unshared spectrum, and the two share 0.950 MHz of spectrum in the center of the band. The FCC expects Globalstar and Iridium to reach a mutually acceptable coordination agreement in the shared portion. On February 5, 2008, we filed a notice of appeal of the FCC's decision in the U.S. Court of Appeals for the D.C. Circuit.

Also in the July 2004 decision, the FCC required us to share the 2496 - 2500 MHz portion of our downlink spectrum with certain Broadband Radio Service fixed wireless licensees and with about 100 "grandfathered" Broadcast Auxiliary Service licensees. We expect the latter to be relocated out of the band by about 2009. Although we and others requested reconsideration of certain of the rules that will govern our sharing with these Broadband Radio Service and Broadcast Auxiliary Service licensees, the FCC affirmed this portion of its decision in an order issued in April 2006. Certain parties have filed further requests with the FCC for reconsideration of this decision, which we have opposed. In addition, on July 21, 2006, Sprint Nextel Corporation ("Sprint Nextel") one of the largest Broadband Radio Service licensees, filed an appeal of the FCC's decision to relocate them to the 2496-2500 MHz band with the U.S. Court of Appeals for the D.C. Circuit. On December 6, 2006, the court granted the FCC's motion to hold the case in abeyance. Although we have filed a motion to intervene in the case,

it is unclear whether, and if so, to what extent a court decision in favor of Sprint Nextel would have an impact on our spectrum rights.

### **International Coordination**

Our system operates in frequencies which were allocated on an international basis for mobile satellite services user links and mobile satellite services feeder links. We are required to engage in international coordination procedures with other proposed mobile satellite services systems under the aegis of the International Telecommunications Union. We believe that we have met all of our obligations to coordinate our system.

### **National Regulation of Service Providers**

In order to operate gateways, the independent gateway operators and our affiliates in each country are required to obtain a license from that country's telecommunications regulatory authority. In addition, the gateway operator must enter into appropriate interconnection and financial settlement agreements with local and interexchange telecommunications providers. All 25 gateways operated by us and the independent gateway operators are licensed. An independent gateway operator in South Africa, Vodacom, was unable to secure a license to activate and operate the gateway in that country and turned the gateway over to Telkom, the South African telephone company, in settlement of debts. We have initiated efforts to reestablish the business in South Africa through our own subsidiary. In May 2006, we obtained an operating license that allows us to provide service in South Africa but not to operate the gateway itself. We are continuing to seek a qualified gateway operator.

Our subscriber equipment generally must be type certified in countries in which it is sold or leased. The manufacturers of the equipment and our affiliates or the independent gateway operators are jointly responsible for securing type certification. Thus far, our equipment has received type certification in each country in which that certification was required.

### **United States International Traffic in Arms Regulations**

The United States International Traffic in Arms regulations under the United States Arms Export Control Act authorize the President of the United States to control the export and import of articles and services that can be used in the production of arms. The President has delegated this authority to the U.S. Department of State, Directorate of Defense Trade Controls. Among other things, these regulations limit the ability to export certain articles and related technical data to certain nations. Some information involved in the performance of our operations falls within the scope of these regulations. As a result, we may have to obtain an export authorization or restrict access to that information by international companies that are our vendors or service providers. We have received and expect to continue to receive export licenses for our telemetry and control equipment located outside the United States and for providing technical data to potential launch contractors and developers of our next generation of satellites.

### **Environmental Matters**

We are subject to various laws and regulations relating to the protection of the environment and human health and safety (including those governing the management, storage and disposal of hazardous materials). Some of our operations require continuous power supply. As a result, current and historical operations at our ground facilities, including our gateways, include storing fuel and batteries, which may contain hazardous materials, to power back-up generators. As an owner or operator of property and in connection with our current and historical operations, we could incur significant costs, including cleanup costs, fines, sanctions and third-party claims, as a result of violations of or in connection with liabilities under environmental laws and regulations.

## **Additional Information**

We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including Globalstar) file electronically with the SEC. Our electronic SEC filings are available to the public at the SEC's internet site, [www.sec.gov](http://www.sec.gov).

We make available free of charge financial information, news releases, SEC filings, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports as soon as reasonably practical after we electronically file such material with, or furnish it to, the SEC, on our website at [www.globalstar.com](http://www.globalstar.com). The documents available on, and the contents of, our website are not incorporated by reference into this Report.

### **Item 1A. Risk Factors**

*You should carefully consider the risks described below, as well as all of the information in this Report and our other past and future filings with the SEC, in evaluating and understanding us and our business. Additional risks not presently known or that we currently deem immaterial may also impact our business operations and the risks identified below may adversely affect our business in ways we do not currently anticipate. Our business, financial condition or results of operations could be materially adversely affected by any of these risks.*

#### **Risks Related to Our Business**

***We have a short operating history. Our predecessor incurred substantial losses. Our operating results have fluctuated and may continue to do so.***

We acquired the assets of Old Globalstar in December 2003 in a proceeding under the Bankruptcy Code. Prior to that time, Old Globalstar incurred substantial losses, including operating losses of \$260.7 million in 2003. Since our acquisition of the Globalstar business, we incurred an operating loss of \$3.5 million in 2004, had operating profits of \$21.9 million and \$15.7 million in 2005 and 2006, respectively, and, largely as a result of problems with our two-way communications services, incurred an operating loss of \$24.6 million in 2007. We expect that our operating results will continue to be volatile, at least until we have deployed and placed into service our second-generation satellite constellation.

***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 the end of 2008 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 recently 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 (four of which were launched in May 2007 and the remaining four in October 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 will be 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" 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 no later than the second-half 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 begin 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 is 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 2008 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 subscriber base declines, 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. 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.

***Our business plan includes exploiting our ATC license in the United States by combining ATC services with our existing business. If we are unable to accomplish this effectively, our anticipated future revenues and profitability will be reduced and we will lose our investment in developing ATC services.***

We are licensed by the FCC to use a portion of our spectrum to provide ATC services in the United States in combination with our existing communication services. If we can integrate ATC services with our existing business, which will require us to make satisfactory arrangements with terrestrial wireless or other communications service providers, we will be able to use the spectrum currently licensed to us to provide an integrated telecommunications offering incorporating both our satellite and ground station system and a terrestrial-based cellular-like system. If successful, this will allow us to address a broader market for our products and services, thereby increasing our revenue and profitability and the value of our business. However, neither we nor any other company has yet

successfully integrated a commercial ATC service with satellite services, and we may be unable to do so.

Northern Sky Research estimates that development of an independent terrestrial network to provide ATC services could cost \$2.5 to \$3.0 billion in the United States alone. We do not expect to have sufficient capital resources to develop independently the terrestrial component of an ATC network. Therefore, in the foreseeable future full exploitation of our ATC opportunity will require us to lease portions of our ATC-licensed spectrum to, or form satisfactory partnerships, service contracts, joint ventures or other arrangements with, other telecommunications or spectrum-based service providers.

Although we have entered into an agreement with Open Range Communications, Inc. that will permit Open Range to deploy service in certain rural geographic markets in the United States under our ATC authority, the agreement is contingent on receiving authority from the FCC to use an expanded portion of our spectrum for ATC services and any other FCC approval of the agreement which may be required and Open Range's completion of its equity and debt financing. We can give no assurance that these conditions will be satisfied, that FCC approval will be received or that the Open Range agreement will improve our revenues and profitability.

We may not be able to establish other arrangements at all or on favorable terms and, if such arrangements are established, the other parties may not fulfill their obligations. If we are unable to form a suitable partnership or enter into service contract, joint venture agreement or additional leases, we may not be able to realize our plan to offer ATC services, which would limit our ability to expand our business and reduce our revenues and profitability, and adversely affect the value of our ATC license. In addition, in such event we will lose any resources we have invested in developing ATC services, which may be substantial.

The FCC rules governing ATC are relatively new and are subject to interpretation. The scope of ATC services that we will be permitted and required to provide under our existing FCC license is unclear and we may be required to seek amendments to our ATC license to execute our business plan. The FCC's rules require ATC service providers to demonstrate that their mobile satellite and ATC services satisfy certain gating criteria, such as constituting an "integrated service offering," and maintain at least one in-orbit spare satellite. The FCC reserves the right to rescind ATC authority if the FCC determines that a licensee has failed to provide an "integrated service offering" or to comply with other gating criteria. It is therefore possible that we could lose our existing or future ATC authority, in which case we could lose all or much of our investment in developing ATC services, as well as future revenues from such services.

On November 9, 2007, the FCC released a Notice of Proposed Rulemaking requesting comments on whether we should be authorized to provide ATC services in the portion of the S-band between 2483.5 and 2495 MHz and in the portion of the L-band that we do not share with Iridium. If the FCC fails to adopt all or a substantial portion of the proposed rule, our ATC strategy may be affected adversely and we may not realize some or all of the value we had hoped to receive from our ATC license.

The development and operation of our ATC system may also infringe on unknown and unidentified intellectual property rights of other persons, which could require us to modify our business plan, thereby increasing our development costs and slowing our time to market. If we are unable to meet the regulatory requirements applicable to ATC services or develop or acquire the required technology, we may not be able to realize our plan to offer ATC services, which would decrease our revenues and profitability.

***Implementation of our business plan depends on increased demand for wireless communications services via satellite, both for our existing services and products and for new services and products. If this increased demand does not occur, our revenues and profitability may not increase as we expect.***

Demand for wireless communication services via satellite may not grow, or may even shrink, either generally or in particular geographic markets, for particular types of services or during particular time periods. A lack of demand could impair our ability to sell our services and to develop and successfully market new services, or could exert downward pressure on prices, or both. This, in turn, could decrease our revenues and profitability and adversely affect our ability to increase our revenues and profitability over time.

The success of our business plan will depend on a number of factors, including:

- the level of market acceptance and demand for all of our services;
- our ability to introduce new products and services that meet this market demand;
- our ability to retain our existing voice and duplex data customers until we have launched our second-generation satellite constellation;
- our ability to obtain additional business using our existing spectrum resources both in the United States and internationally;
- our ability to control the costs of developing an integrated network providing related products and services;
- our ability to market successfully our new Simplex products and services, especially our SPOT products and services;
- our ability to develop and deploy innovative network management techniques to permit mobile devices to transition between satellite and terrestrial modes;
- our ability to limit the effects of further degradation of, and to maintain the capacity and control of, our existing satellite network;
- our ability to sell the equipment inventory on hand and under commitment to purchase from QUALCOMM
- our ability to complete the construction, delivery and launch of our second-generation satellites and, once launched, our ability to maintain their health, capacity and control; and
- the effectiveness of our competitors in developing and offering similar products and services and in persuading our customers to switch service providers.

***The implementation of our business plan and our ability to return to profitability assumes that we are able to continue to generate revenue and positive cash flow as our existing satellite constellation continues to age, and to deploy successfully our second-generation satellite constellation, both of which are contingent on a number of factors.***

As our existing satellite constellation has aged, our customers' ability to access our two-way communications service at all times and places has diminished and is continuing to diminish. Specifically, the degradation of the S-band antenna amplifier in our satellites launched prior to 2007, has continued although at a slower rate than we predicted in February 2007. Our ability to generate revenue and positive cash flow, at least until our second-generation satellite constellation is deployed and begins to generate revenue, will depend upon several factors, including whether:

- we can maintain our existing two-way communications service customers;
- the rate of S-band antenna amplifier degradation accelerates;

- we can introduce successfully new product and service offerings;
- we can continue to compete successfully against other mobile satellite service providers; and
- the FCC or a regulatory body outside the United States takes actions that reduce the quantity or utility of our spectrum or limit our ability to use it as we wish.

Our ability to generate revenue and cash flow has been adversely impacted by our need to reduce our prices for two-way communications services to seek to maintain our customer base despite issues affecting the performance of our network. Further, our business plan and our ability to return to profitability assume that we will be able to deploy successfully our second-generation satellite constellation. In order to do so, we are dependent on third parties, such as Thales Alenia Space and our Launch Provider, to build and launch our satellites. The construction of these satellites is technically complex and subject to construction and delivery delays that could result from a variety of causes, including the failure of third-party vendors to perform as anticipated and changes in the technical specifications of the satellites. Although we have entered into contracts with Thales Alenia Space that anticipate launch of our second-generation satellites beginning in the second-half of 2009, and we have arranged with Thales Alenia Space for acceleration of a portion of the initial 24 satellites by up to four months, there can be no assurance that the delivery of these satellites will be timely. We have not arranged an alternative source if Thales Alenia Space is unable or unwilling to fulfill these contracts. If Thales Alenia Space fails to deliver these initial satellites in a timely manner, our ability to meet our projected launch schedule would be materially adversely affected, and our operations and business plan, which assume a functioning second-generation satellite constellation by 2010, would be materially adversely affected.

The launch of our second-generation satellite constellation is also subject to FCC approval. There could be a delay in obtaining this approval, caused by factors outside of our control, such as third-party opposition to our application. In addition, there is a remote possibility that the FCC could refuse to grant this approval.

During any period of delay, we would not be generating the cash flow expected from our new constellation to fund its completion (including procuring replacement satellites) by 2014, and we may be unable to obtain additional financing on favorable terms, or at all, during periods of delay. A delay could also require rescheduling of the anticipated launch dates, and alternative launch slots may not be available within a reasonable period of time, which would also have a material adverse affect on our operations and financial condition.

***We depend in large part on the efforts of third parties for the retail sale of our services and products. The inability of these third parties to sell our services and products successfully may decrease our revenue and profitability.***

For each of the years ended December 31, 2007 and 2006, approximately 90% of our revenue was derived from products and services sold through independent agents, dealers and resellers, including, outside the United States, independent gateway operators. If these third parties are unable to market our products and services successfully, our revenue and profitability may decrease.

***We depend on independent gateway operators to market our services in important regions around the world. If the independent gateway operators are unable to do this successfully, we will not be able to grow our business in those areas as rapidly as we expect.***

Although we derive most of our revenue from retail sales to end users in the United States, Canada, a portion of Western Europe, Central America and the northern portion of South America, either directly or through agents, dealers and resellers, we depend on independent gateway operators to purchase, install, operate and maintain gateway equipment, to sell phones and data user terminals, and

to market our services in other regions where these independent gateway operators hold exclusive or non-exclusive rights. Not all of the independent gateway operators have been successful and, in some regions, they have not initiated service or sold as much usage as originally anticipated. Some of the independent gateway operators are not earning revenues sufficient to fund their operating costs. If they are unable to continue in business, we will lose the revenue we receive for selling equipment to them and providing services to their customers. Although we have implemented a strategy for the acquisition of certain independent gateway operators when circumstances permit, we may not be able to continue to implement this strategy on favorable terms and may not be able to realize the additional efficiencies that we anticipate from this strategy. In some regions it is impracticable to acquire the independent gateway operators either because local regulatory requirements or business or cultural norms do not permit an acquisition, because the expected revenue increase from an acquisition would be insufficient to justify the transaction, or because the independent gateway operator will not sell at a price acceptable to us. In those regions, our revenue and profits may be adversely affected if those independent gateway operators do not fulfill their own business plans to increase substantially their sales of services and products.

***Our success in generating sufficient cash from operations to fund a portion of the cost of our second-generation satellite constellation will depend in part on the market acceptance and success of our new SPOT satellite messenger and other Simplex products and services, which may not occur.***

In 2007, we launched new products to expand the scope of our Simplex services. On November 1, 2007, we introduced the SPOT satellite messenger, aimed at both recreational and commercial customers who require personal tracking, emergency location and messaging solutions that operate beyond the range of traditional terrestrial and wireless communications.

The market for our SPOT satellite messenger is new and untested. We cannot predict with certainty the potential demand for the services we plan to offer or the extent to which we will be able to meet that demand. Although a survey has assessed the potential addressable market for SPOT products and services in North America at 50 million units, the actual size of the market is unknown and subject to significant uncertainty. Our objective is to capture 2-3% of that market by the end of 2010, but we cannot assure you that we will reach that goal. Demand for our Simplex offerings in general, in particular geographic markets, for particular types of services or during particular time periods may not enable us to generate sufficient positive cash flow to fund a portion of the cost of our second-generation satellite constellation. Among other things, end user acceptance of our Simplex offerings will depend upon:

- the actual size of the addressable market;
- our ability to provide attractive service offerings at competitive prices to our target markets;
- the cost and availability of user equipment, including the data modems that operate on our network;
- the effectiveness of our competitors in developing and offering alternate technologies or lower priced services; and
- general and local economic conditions.

Our business plan assumes a rapidly growing subscriber base for Simplex products. If we cannot implement this business plan successfully and gain market acceptance for these planned Simplex products and services, our business, financial condition, results of operations and liquidity could be materially and adversely affected.

Because SPOT products and services will be used in isolated and, in some cases, dangerous locations, we cannot predict whether users of the device who suffer injury or death may seek to assert claims against us alleging failure of the device to facilitate timely emergency response. Although we will seek to limit our exposure to any such claims through appropriate disclaimers and liability insurance coverage, we cannot assure investors that the disclaimers will be effective, claims will not arise or insurance coverage will be sufficient.

***We have incurred substantial obligations to purchase equipment and services.***

As of December 31, 2007, we have outstanding purchase obligations of over \$1.12 billion (a majority of which is denominated in Euros) related to the procurement and deployment of our second-generation satellite constellation and related ground installations, the purchase of mobile phones and related equipment and other contractual obligations. The nature of these purchases requires us to enter into long-term fixed price contracts. We could cancel some of these purchase commitments, subject to the incurrence of specified cancellation penalties. We do not currently have and have not arranged all of the funds necessary to fulfill these purchase commitments and may not be able to obtain them.

In addition, our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. Accordingly, we are generally unable to adjust our operating costs or capital expenditures to match fluctuations in our revenue.

***We must generate significant cash from operations and have to raise additional capital in order to complete our second-generation satellite constellation.***

We estimate the total capital costs of procuring and deploying our second-generation satellite constellation and related upgrades to be approximately \$1.25 billion (including certain discretionary ground segment upgrades). As of December 31, 2007, we had incurred approximately \$211.1 million (excluding internal costs, capitalized interest but including \$74.7 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) of this amount. We estimate approximately \$633.4 million (excluding estimated costs of ground infrastructure upgrades and initial payments related to the second batch of 24 satellites) will be incurred from January 1, 2008 through the third quarter of 2010, when we anticipate the launching of 24 second-generation satellites will be complete. We plan to fund approximately \$118.4 million of this amount from cash on hand (including our restricted funds held in escrow as described above), \$150.0 million (\$50.0 million of which was drawn at December 31, 2007) from our credit facility, and approximately \$415.0 million with cash from operations and from other sources of funding including but not limited to the sale of debt, equity or a combination of both. Our cash needs could increase depending on, for example, our operational requirements and continued declines in the value of the U.S. dollar against the Euro.

Our ability to generate a portion of the required \$415.0 million from operations by late 2010 depends on our ability to generate substantial earnings from our new SPOT satellite messenger and other Simplex products and to maintain our current level of revenue from subscribers for two-way communications service. We introduced SPOT products and services to consumers in November 2007; accordingly the commercial success of this product is uncertain. After 2010, our ability to generate sufficient cash from operations to complete construction of our second-generation satellite constellation is based on the continued success of these Simplex product offerings, and assumes that we are able to transition our then-existing two-way subscriber base to significantly increased ARPU through, and add new two-way subscribers at, higher priced service offerings consistent with expected prevailing market prices and the enhanced capabilities, increased service quality and broader coverage area we expect following the deployment of our second-generation satellite constellation.

To meet the cost requirements for completing the procurement and deployment of our second-generation satellite constellation, we expect that we will need to obtain substantial funding from third-party sources. This funding may not be available to us on acceptable terms, or at all, if our future revenues or cash flow are below our expectations, whether as a result of the impact on our two-way subscriber base from degradation of our existing constellation, our failure to generate sufficient revenue from our new SPOT satellite messenger and other Simplex products or for any other reason. If we are unable to generate sufficient cash from operations and from additional capital sources and are therefore unable to fund the procurement and deployment of our second-generation satellite constellation in the time period described above, our results of operations, financial condition and liquidity would be materially and adversely affected.

Moreover, if for any other reason we are unable to deploy our second-generation satellite constellation before our current constellation ceases to provide commercially viable service, we are likely to lose subscribers, and will incur a further decline in revenues and profitability as our ability to provide commercially viable service declines.

***We currently are unable to offer service in important regions of the world due to the absence of gateways in those areas, which is limiting our growth and our ability to compete.***

Our objective is to establish a worldwide service network, either directly or through independent gateway operators, but to date we have been unable to do so in certain areas of the world and we may not succeed in doing so in the future. We have been unable to find capable independent gateway operators for several important regions and countries, including Eastern and Southern Africa, India, and certain parts of Southeast Asia. In addition to the lack of global service availability, cost-effective roaming is not yet available in certain countries because the independent gateway operators have been unable to reach business arrangements with one another. This could reduce overall demand for our products and services and undermine our value for potential users who require service in these areas.

***Rapid and significant technological changes in the satellite communications industry may impair our competitive position and require us to make significant additional capital expenditures.***

The hardware and software utilized in operating our gateways were designed and manufactured over 10 years ago and portions are becoming obsolete. As they continue to age, they may become less reliable and will be more difficult and expensive to service. Although we maintain inventories of spare parts, it nonetheless may be difficult or impossible to obtain all necessary replacement parts for the hardware. Our business plan contemplates updating or replacing this hardware and software, and we are negotiating with manufacturers to upgrade our gateways for our second-generation constellation, but we may not be successful in these efforts, and the cost may exceed our estimates. We expect to face competition in the future from companies using new technologies and new satellite systems. The space and communications industries are subject to rapid advances and innovations in technology. New technology could render our system obsolete or less competitive by satisfying consumer demand in more attractive ways or through the introduction of incompatible standards. Particular technological developments that could adversely affect us include the deployment by our competitors of new satellites with greater power, greater flexibility, greater efficiency or greater capabilities, as well as continuing improvements in terrestrial wireless technologies. For us to keep up with technological changes and remain competitive, we will need to make significant capital expenditures. Customer acceptance of the services and products that we offer will continually be affected by technology-based differences in our product and service offerings. New technologies may be protected by patents or other intellectual property laws and therefore may not be available to us.

***A natural disaster could diminish our ability to provide communications service.***

Natural disasters could damage or destroy our ground stations resulting in a disruption of service to our customers. In addition, the collateral effects of such disasters such as flooding may impair the functioning of our ground equipment. If a natural disaster were to impair or destroy any of our ground facilities, we might be unable to provide service to our customers in the affected area for a period of time. Even if our gateways are not affected by natural disasters, our service could be disrupted if a natural disaster damages the public switch telephone network or terrestrial wireless networks or our ability to connect to the public switch telephone network or terrestrial wireless networks. Such failure or service disruptions could harm our business and results of operations.

***We may not be able to launch our satellites successfully. Loss of a satellite during launch could delay or impair our ability to offer our services or reduce our revenues and launch insurance will not fully cover this risk.***

We have in the past insured the launch of our satellites, but we do not insure our existing satellites during their remaining in-orbit operational lives. Insurance proceeds would likely be available in the event of a launch failure, but acquiring replacements for any of the satellites will cause a delay in the deployment of our second-generation constellation and any insurance proceeds would not cover lost revenue.

We anticipate our launch failure insurance policy to include specified exclusions, deductibles and material change limitations. Some (but not all) exclusions could include damage arising from acts of war, anti-satellite devices and other similar potential risks for which exclusions were customary in the industry at the time the policy was written.

If launch insurance rates were to rise substantially, our future launch costs would increase. In addition, in light of increasing costs, the scope of insurance exclusions and limitations on the nature of the losses for which we can obtain insurance, or other business reasons, we may conclude that it does not make business sense to obtain third-party insurance and may decide to pursue other strategies for mitigating the risk of a satellite launch failure, such as purchasing additional spare satellites or obtaining relaunch guaranties from the launch provider. It is also possible that insurance could become unavailable, either generally or for a specific launch vehicle, or that new insurance could be subject to broader exclusions on coverage, in which event we would bear the risk of launch failures.

***An FCC decision to license a second CDMA operator in our band, or to take other steps that would reduce our existing spectrum allocation or impose additional spectrum sharing agreements on us, could adversely affect our services and operations.***

Under the FCC's plan for mobile satellite services in our frequency bands, we must share frequencies in the United States with other licensed mobile satellite services operators. To date, there are no other authorized CDMA-based mobile satellite services operators and no pending applications for authorization. However, there is a potential German CDMA system called Courier which may be built and which may use our frequencies. We may be required to share spectrum with this system or other systems that are not currently licensed by the U.S. or any other jurisdiction.

***Spectrum values historically have been volatile, which could cause the value of our company to fluctuate.***

Our business plan is evolving and it may include forming strategic partnerships to maximize value for our spectrum, network assets and combined service offerings in the United States and internationally. Value that we may be able to realize from such partnerships will depend in part on the value ascribed to our spectrum. Valuations of spectrum in other frequency bands historically have been volatile, and we cannot predict at what amount a future partner may be willing to value our spectrum and other assets. In addition, to the extent that the FCC takes action that makes additional spectrum

available or promotes the more flexible use or greater availability (e.g., via spectrum leasing or new spectrum sales) of existing satellite or terrestrial spectrum allocations, the availability of such additional spectrum could reduce the value of our spectrum authorizations and business.

***We face intense competition in all of our markets, which could result in a loss of customers and lower revenues and make it more difficult for us to enter new markets.***

#### *Satellite-based Competitors*

There are currently five other satellite operators providing services similar to ours on a global or regional basis: Iridium, Inmarsat, MSV, Thuraya Satellite Telecommunications Company and Asia Cellular Satellite. In addition, ICO Global Communications (Holdings) Limited and TerreStar Corporation plan to launch their new satellite systems within the next few years and MSV plans to launch a new high-capacity satellite in 2009. The provision of satellite-based products and services is subject to downward price pressure when the capacity exceeds demand.

Although we believe there is currently no commercially available product comparable to our new SPOT satellite messenger product, other providers of satellite—based products could introduce their own similar products if the SPOT product is successful, which may materially adversely affect our business plan. In addition, we may face competition from new competitors or new technologies. With so many companies targeting many of the same customers, we may not be able to retain successfully our existing customers and attract new customers and as a result may not grow our customer base and revenue.

#### *Terrestrial Competitors*

In addition to our satellite-based competitors, terrestrial wireless voice and data service providers are expanding into rural and remote areas and providing the same general types of services and products that we provide through our satellite-based system. Many of these companies have greater resources, greater name recognition and newer technologies than we do. Industry consolidation could adversely affect us by increasing the scale or scope of our competitors and thereby making it more difficult for us to compete. We could lose market share and revenue as a result of increasing competition from the extension of land-based communication services.

Although satellite communications services and ground-based communications services are not perfect substitutes, the two compete in certain markets and for certain services. Consumers generally perceive wireless voice communication products and services as cheaper and more convenient than satellite-based ones.

Additionally, the extension of terrestrial telecommunications services to regions previously underserved or not served by wireline or wireless services may reduce demand for our service in those regions. These land-based telecommunications services have been built quickly; therefore, demand for our products and services may decline in these areas more rapidly than we assumed in formulating our business plan. This development has led, in part, to our efforts to identify and sell into geographically remote markets and further the deployment of user terminals and data products in these markets. If we are unable to attract new customers in these regions, our customer base may decrease, which could have a material adverse effect on our business prospects, financial condition and results of operations.

#### *ATC Competitors*

We also expect to compete with a number of other existing and future wireless providers that may develop ATC integrated networks. For example, MSV has received a license from the FCC to operate an ATC network, and TerreStar filed an application for ATC authority in September 2007. Other competitors are expected to seek approval from the FCC to operate ATC services. Any of these

competitors could offer an integrated satellite and terrestrial network before we do, could combine with terrestrial networks that provide them with greater financial or operational flexibility than we have, or could offer an ATC network that customers prefer over ours.

***The loss of customers, particularly our large customers, may reduce our future revenues.***

We may lose customers due to competition, consolidation, regulatory developments, business developments affecting our customers or their customers, the anticipated constellation degradation or a more rapid than anticipated degradation of our constellation or for other reasons. Our top 10 customers for the years ended December 31, 2007 and 2006 accounted for, in the aggregate, approximately 16% and 22% of our total revenues of \$98.4 million and \$136.7 million, respectively. For the years ended December 31, 2007 and 2006, revenues from our largest customer were \$6.2 million or 6%, and \$5.4 million or 4% of our total revenues, respectively. If we fail to maintain our relationships with our major customers, if we lose them and fail to replace them with other similar customers, or if we experience reduced demand from our major customers, our profitability could be significantly reduced through the loss of these revenues. In addition, we may be required to record additional costs to the extent that amounts due from these customers become uncollectible. More generally, our customers may fail to renew or may cancel their service contracts with us, which could negatively affect future revenues and profitability. After our second-generation satellite constellation becomes operational, we may face challenge in maintaining our existing 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.

Our customers include multiple agencies of the U.S. government. Service sales to U.S. government agencies constituted approximately 11% and 10% of our total service revenue for the years ended December 31, 2007 and 2006, respectively. Government sales are made pursuant to individual purchase orders placed from time to time by the governmental agencies and are not related to long-term contracts. U.S. government agencies may terminate their business with us at any time without penalty and are subject to changes in government budgets and appropriations.

***Our business is subject to extensive government regulation, which mandates how we may operate our business and may increase our cost of providing services, slow our expansion into new markets and subject our services to additional competitive pressures.***

Our ownership and operation of wireless communication systems are subject to significant regulation in the United States by the FCC and in foreign jurisdictions by similar local authorities. The rules and regulations of the FCC or these foreign authorities may change and may not continue to permit our operations as presently conducted or as we plan to conduct them. For example, the FCC has cancelled and refused to date to reinstate our license for spectrum in the 2 GHz band and has since licensed this spectrum to other entities for their mobile satellite service systems.

Failure to provide services in accordance with the terms of our licenses or failure to operate our satellites, ground stations, or other terrestrial facilities (including those necessary to provide ATC services) as required by our licenses and applicable government regulations could result in the imposition of government sanctions against us, up to and including cancellation of our licenses.

The FCC may require us to obtain separate authorization to launch and operate replacement satellites if it concludes that these satellites are not "technically identical" to those authorized by our existing license. Although we believe that our replacement satellites will be "technically identical" in this fashion, we cannot assure you that the FCC will reach a similar conclusion. If the FCC reaches a different conclusion, we may need to obtain a separate FCC authority prior to launching or operating these replacement satellites, which authority may not be obtained.

Our system must be authorized in each of the markets in which we or the independent gateway operators provide service. We and the independent gateway operators may not be able to obtain or retain all regulatory approvals needed for operations. For example, the company with which Old Globalstar contracted to establish an independent gateway operation in South Africa was unable to obtain an operating license from the Republic of South Africa and abandoned the business in 2001. Regulatory changes, such as those resulting from judicial decisions or adoption of treaties, legislation or regulation in countries where we operate or intend to operate, may also significantly affect our business. Because regulations in each country are different, we may not be aware if some of the independent gateway operators and/or persons with which we or they do business do not hold the requisite licenses and approvals.

Our current regulatory approvals could now be, or could become, insufficient in the view of foreign regulatory authorities. Furthermore, any additional necessary approvals may not be granted on a timely basis, or at all, in all jurisdictions in which we wish to offer services, and applicable restrictions in those jurisdictions could become unduly burdensome.

Our operations are subject to certain regulations of the United States State Department's Directorate of Defense Trade Controls (i.e., the export of satellites and related technical data), United States Treasury Department's Office of Foreign Assets Control (i.e., financial transactions) and the United States Commerce Department's Bureau of Industry and Security (i.e., our gateways and phones). These regulations may limit or delay our ability to operate in a particular country. As new laws and regulations are issued, we may be required to modify our business plans or operations. If we fail to comply with these regulations in any country, we could be subject to sanctions that could affect, materially and adversely, our ability to operate in that country. Failure to obtain the authorizations necessary to use our assigned radio frequency spectrum and to distribute our products in certain countries could have a material adverse effect on our ability to generate revenue and on our overall competitive position.

***If we do not develop, acquire and maintain proprietary information and intellectual property rights, it could limit the growth of our business and reduce our market share.***

Our business depends on technical knowledge, and we believe that our future success is based, in part, on our ability to keep up with new technological developments and incorporate them in our products and services. We own or have the right to use our patents, work products, inventions, designs, software, systems and similar know-how. Although we have taken diligent steps to protect that information, the information may be disclosed to others or others may independently develop similar information, systems and know-how. Protection of our information, systems and know-how may result in litigation, the cost of which could be substantial. Third parties may assert claims that our products or services infringe on their proprietary rights. Any such claims, if made, may prevent or limit our sales of products or services or increase our costs of sales. Although no third party has filed a lawsuit or asserted a written claim against us for allegedly infringing on its proprietary rights, such claims could be made in the future.

Much of the software we require to support critical gateway operations is licensed from third parties, including QUALCOMM and Space Systems/Loral Inc., and was developed or customized specifically for our use. Software to support customer service functions, such as billing, is also licensed from third parties and was developed or customized specifically for our use. If the third party licensors were to cease to support and service the software, or the licenses were to no longer be available on commercially reasonable terms, it may be difficult, expensive or impossible to obtain such services from alternative vendors. Replacing such software could be difficult, time consuming and expensive, and might require us to obtain substitute technology with lower quality or performance standards or at a greater cost.

***We face special risks by doing business in developing markets, including currency and expropriation risks, which could increase our costs or reduce our revenues in these areas.***

Although our most economically important geographic markets currently are the United States and Canada, we have substantial markets for our mobile satellite services in, and our business plan includes, developing countries or regions that are underserved by existing telecommunications systems, such as rural Venezuela and Central America. Developing countries are more likely than industrialized countries to experience market, currency and interest rate fluctuations and may have higher inflation. In addition, these countries present risks relating to government policy, price, wage and exchange controls, social instability, expropriation and other adverse economic, political and diplomatic conditions.

Although a majority of our revenues are received in U.S. dollars, and our independent gateway operators are required to pay us in U.S. dollars, limited availability of U.S. currency in some local markets or governmental controls on the export of currency may prevent an independent gateway operator from making payments in U.S. dollars or delay the availability of payment due to foreign bank currency processing and approval. In addition, exchange rate fluctuations may affect our ability to control the prices charged for the independent gateway operators' services.

***Fluctuations in currency exchange rates may adversely impact our financial results.***

Our operations involve transactions in a variety of currencies. Sales denominated in foreign currencies primarily involve the Canadian dollar and the Euro. A substantial majority of our obligations, including the funds held in escrow to secure our payment obligations, under the contract for construction of our second-generation satellite constellation are denominated in Euros. Accordingly, our operating results may be significantly affected by fluctuations in the exchange rates for these currencies, and increases in the value of the Euro compared to the U.S. dollar have effectively substantially increased the Euro-denominated costs of procuring our second-generation satellite constellation and related ground facilities. Further declines in the dollar will exacerbate this problem. A 1% decline in the dollar vis-à-vis the Euro would increase our committed purchase obligations by approximately \$7.4 million. Approximately 37% and 33% of our total sales were to retail customers in Canada, Europe and Venezuela during the years ended December 31, 2007 and 2006, respectively. Our results of operations for the years ended December 31, 2007 and 2006 reflected income of \$8.2 million and a loss of \$4.0 million, respectively, on foreign currency transactions. Our exposure to fluctuations in currency exchange rates has increased significantly as a result of our satellite contracts. We may be unable to offset unfavorable currency movements as they adversely effect our revenue and expenses or to hedge them effectively. Our inability to do so could have a substantial negative impact on our operating results and cash flows.

***If we become subject to unanticipated foreign tax liabilities, it could materially increase our costs.***

We operate in various foreign tax jurisdictions. We believe that we have complied in all material respects with our obligations to pay taxes in these jurisdictions. However, our position is subject to review and possible challenge by the taxing authorities of these jurisdictions. If the applicable taxing authorities were to challenge successfully our current tax positions, or if there were changes in the manner in which we conduct our activities, we could become subject to material unanticipated tax liabilities. We may also become subject to additional tax liabilities as a result of changes in tax laws, which could in certain circumstances have a retroactive effect.

***We rely on a limited number of key vendors for timely supply of equipment and services. If our key vendors fail to provide equipment and services to us, we may face difficulties in finding alternative sources and may not be able to operate our business successfully.***

We depend on QUALCOMM for gateway hardware and software, and also as the exclusive manufacturer of phones using the IS 41 CDMA North American standard, which incorporates QUALCOMM proprietary technology. Ericsson OMC Limited and Telit, which until 2000 manufactured phones and other products for us, have discontinued manufacturing these products, and QUALCOMM may choose to terminate its business relationship with us when its current contractual obligations are completed in approximately three years. In addition, we currently have a maintenance and support contract with QUALCOMM that we must negotiate annually. If QUALCOMM terminates any one of these relationships, we may not be able to find a replacement supplier. Although the QUALCOMM relationship might be replaced, there could be a substantial period of time in which our products or services are not available and any new relationship may involve a significantly different cost structure, development schedule and delivery times.

We depend on Axonn L.L.C. to produce and sell the data modems through which we provide our Simplex service, including our new SPOT satellite messenger products, which incorporate Axonn proprietary technology. Axonn is currently our sole source for obtaining these data modems. If Axonn were to cease producing and selling these data modems, in order to continue to expand our Simplex service, we would either have to acquire from Axonn the right to have the modems manufactured by another vendor or develop a modem that did not rely on Axonn's proprietary technology. We have no long-term contract with Axonn for the production and sale of these data modems.

***Pursuing strategic transactions may cause us to incur additional risks.***

We may pursue acquisitions, joint ventures or other strategic transactions on an opportunistic basis, although no such transactions that would be financially significant to us are probable at this time. We may face costs and risks arising from any such transactions, including integrating a new business into our business or managing a joint venture. These may include legal, organizational, financial and other costs and risks.

In addition, if we were to choose to engage in any major business combination or similar strategic transaction, we may require significant external financing in connection with the transaction. Depending on market conditions, investor perceptions of us and other factors, we may not be able to obtain capital on acceptable terms, in acceptable amounts or at appropriate times to implement any such transaction. Any such financing, if obtained, may further dilute our existing stockholders.

***Our indebtedness could impair our ability to react to changes in our business and may limit our ability to use debt to fund future capital needs.***

Our indebtedness could adversely affect our financial condition. If the \$150.0 million in committed facilities under our restated and amended credit agreement had been drawn fully at December 31, 2007, our indebtedness would have been \$150.0 million. This would have resulted in annual interest expense of approximately \$16.5 million, assuming an interest rate of 11.0%. In addition, we anticipate incurring additional indebtedness in connection with our future business plans. Our indebtedness could:

- require us to dedicate a substantial portion of our cash flow from operations to principal payments on our debt in years when the debt matures, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate expenditures;
- result in an event of default if we fail to comply with the restrictive covenants contained in our credit agreement, which event of default could result in all of our debt becoming immediately due and payable;

- increase our vulnerability to adverse general economic or industry conditions because our debt could mature at a time when those conditions make it difficult to refinance and our cash flow is insufficient to repay the debt in full, forcing us to sell assets at disadvantageous prices or to default on the debt;
- limit our flexibility in planning for, or reacting to, competition and/or changes in our business or our industry by limiting our ability to incur additional debt, to make acquisitions and divestitures or to engage in transactions that could be beneficial to us;
- restrict us from making strategic acquisitions, introducing new products or services or exploiting business opportunities; and
- place us at a competitive disadvantage relative to competitors that have less debt or greater financial resources.

Furthermore, if an event of default were to occur with respect to our credit agreement or other indebtedness, our creditors could accelerate the maturity of our indebtedness. Our indebtedness under our credit agreement is secured by a lien on substantially all of our assets and the assets of our domestic subsidiaries and the lenders could foreclose on these assets to repay the indebtedness.

Our ability to make scheduled payments on or to refinance indebtedness obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness. These alternative measures may not be successful or feasible. Our credit agreement restricts our ability to sell assets. Even if we could consummate those sales, the proceeds that we realize from them may not be adequate to meet any debt service obligations then due.

***We plan to incur additional indebtedness or other obligations in the future, which would exacerbate the risks discussed above.***

Our credit agreement permits us to incur, in addition to the \$150.0 million of revolving credit and delayed draw term loans that Thermo Funding Company LLC, or Thermo Funding, has committed to advance under the credit agreement, other indebtedness under certain conditions, including up to \$250.0 million of additional equally and ratably secured, pari passu, term loans, up to \$200.0 million of unsecured debt and up to \$25.0 million of purchase money indebtedness or capitalized leases. We may incur this additional indebtedness only if no event of default under our credit agreement then exists and if we are in pro forma compliance with all of the financial covenants of our credit agreement. Our credit agreement also permits us to incur obligations that do not constitute "indebtedness" as defined in the credit agreement, including obligations to satellite vendors that are not evidenced by a note and not secured by assets other than those purchased with such obligations. To the extent additional debt or other obligations are added to our currently anticipated debt levels, the substantial indebtedness risks described above would increase.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under such indebtedness, which may not be successful.

***A decrease in interest rates will cause us to incur a further loss on our derivative instrument.***

We utilize a derivative instrument in the form of an interest rate swap agreement to minimize our risk from interest rate fluctuations relating to our variable rate credit agreement. The swap agreement

does not qualify for hedge accounting treatment. Accordingly, changes in the fair value of the agreement must be recognized as "Interest rate derivative gain (loss)" over the life of the agreement. In 2007 and 2006, we recognized losses of \$3.2 million and \$2.7 million, respectively, on this agreement. Further decreases in market interest rates will result in us incurring further losses.

***Restrictive covenants in our credit agreement impose restrictions that may limit our operating and financial flexibility.***

Our credit agreement contains a number of significant restrictions and covenants that limit our ability to:

- incur or guarantee additional indebtedness;
- pay dividends or make distributions to our stockholders;
- make investments, acquisitions or capital expenditures;
- repurchase or redeem capital stock or subordinated indebtedness;
- grant liens on our assets;
- incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;
- enter into transactions with our affiliates;
- incur obligations to vendors of satellites;
- merge or consolidate with other entities or transfer all or substantially all of our assets; and
- transfer or sell assets.

Complying with these restrictive covenants, as well as those that may be contained in any agreements governing future indebtedness, may impair our ability to finance our operations or capital needs or to take advantage of other favorable business opportunities. Our ability to comply with these restrictive covenants will depend on our future performance, which may be affected by events beyond our control. If we violate any of these covenants and are unable to obtain waivers, we would be in default under the agreement and payment of the indebtedness could be accelerated. The acceleration of our indebtedness under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. If our indebtedness is accelerated, we may not be able to repay our indebtedness or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. If our indebtedness is in default for any reason, our business, financial condition and results of operations could be materially and adversely affected. In addition, complying with these covenants may also cause us to take actions that are not favorable to holders of the common stock and may make it more difficult for us to successfully execute our business plan and compete against companies who are not subject to such restrictions. Furthermore, our ability to draw on our credit facility is subject to conditions, including the absence of a material adverse change after September 30, 2007 in our business or financial condition, other than a change resulting from existing and future first-generation satellite constellation degradation or failure issues.

***We are a defendant in a shareholder class action lawsuit arising out of our initial public offering in 2006 and consumer class action lawsuits and we may be involved in additional litigation in the future.***

On February 9, 2007, the first of three purported class action lawsuits was filed against us, our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO") in the United States District Court for the Southern District of New York alleging that our registration statement related to

our 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. The Amended Complaint reasserts claims against us and our CEO and CFO, and adds as defendants the three co-lead underwriters of the IPO, Wachovia Capital Markets, LLC, JPMorgan Securities, Inc. and Jefferies & Company, Inc. It cites a drop in the trading price of our common stock that followed our filing, on February 5, 2007, of a Current Report of Form 8-K relating in part to changes in the condition of our satellite constellation. It seeks, on behalf of a class of purchasers of our 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 November 15, 2007, plaintiffs filed their Second Amended Complaint. Defendants' response and motion to dismiss was filed on February 15, 2008. The Plaintiff's response to these motions is due April 15, 2008 in accordance with the Court's scheduling order. We intend to continue to defend the matter vigorously.

On April 7, 2007, Kenneth Stickrath and Sharan Stickrath filed a purported class action complaint against us 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 we did not perform according to our 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 we 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 our motion. Subsequently, on October 17, 2007, the plaintiffs filed their Second Amended Complaint, and we filed our Objections to Plaintiffs' First Set of Requests for Production of Documents. A hearing on our motion to dismiss the Second Amended Complaint was held on February 5, 2008. On February 6, 2008, the judge granted our motion in part and denied it in part. Discovery related solely to the issue of certification of the class is ongoing.

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 asserts claims based on Quebec law related to his alleged problems with Globalstar Canada's service. We moved to disqualify Mr. Barrette because of his association with the law firm representing plaintiffs and to transfer the case to the district of Montreal. The court recently granted our motion for a change of venue, and plaintiff's counsel substituted a new designated representative of the purported class. The case is now known as *Steve Poisson v. Globalstar Canada Satellite Co.*, No. 500-06-000417-077. Plaintiff has not specified what remedies he is seeking.

We cannot assure you that we will prevail in these lawsuits. Failure to prevail in any or all actions could have a material adverse effect on our consolidated financial position, results of operations and cash flows in the future.

In addition, in the past, we have, and may in the future, become subject to other types of litigation. Litigation is often expensive and diverts management's attention and resources, which could materially and adversely affect our business.

#### **Risks Related to Our Common Stock**

***We do not expect to pay dividends on our common stock in the foreseeable future.***

We do not expect to pay cash dividends on our common stock. Any future dividend payments are within the discretion of our board of directors and will depend on, among other things, our results of

operations, working capital requirements, capital expenditure requirements, financial condition, contractual restrictions, business opportunities, anticipated cash needs, provisions of applicable law and other factors that our board of directors may deem relevant. We may not generate sufficient cash from operations in the future to pay dividends on our common stock. Our credit agreement currently prohibits the payment of cash dividends.

***The market price of our common stock is volatile and there is a limited market for our shares.***

The trading price of our common stock is subject to wide fluctuations. Factors affecting the trading price of our common stock may include:

- actual or anticipated variations in our operating results;
- further failure in the performance of our current or future satellites or a delay in the launch of our second-generation satellites;
- failure to obtain adequate financing in a timely manner;
- changes in financial estimates by research analysts, or any failure by us to meet or exceed any such estimates, or changes in the recommendations of any research analysts that elect to follow our common stock or the common stock of our competitors;
- actual or anticipated changes in economic, political or market conditions, such as recessions or international currency fluctuations;
- actual or anticipated changes in the regulatory environment affecting our industry;
- actual or anticipated sales of common stock by our controlling stockholder;
- changes in the market valuations of our industry peers; and
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives.

The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. You may be unable to resell your shares of our common stock at or above the initial purchase price. Additionally, because we are a controlled company there is a limited market for our common stock and we cannot assure you that a trading market will develop further or be maintained.

Trading volume for our common stock historically has been low. Sales of significant amounts of shares of our common stock in the public market could lower the market price of our stock.

***The future issuance of additional shares of our common stock could cause dilution of ownership interests and adversely affect our stock price.***

We may in the future issue our previously authorized and unissued securities, resulting in the dilution of the ownership interests of our current stockholders. We are currently authorized to issue 800 million shares of common stock, of which approximately 83.7 million were issued and outstanding as of December 31, 2007 and 716.3 million were available for future issuance. The potential issuance of such additional shares of common stock, whether directly or pursuant to any conversion right of any convertible securities, may create downward pressure on the trading price of our common stock. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for common stock for capital raising or other business purposes. Future sales of substantial amounts of common stock, or the perception that sales could occur, could have a material adverse effect on the price of our common stock.

***We may issue shares of preferred stock or debt securities with greater rights than our common stock.***

Subject to the rules of The NASDAQ Global Select Market, our certificate of incorporation authorizes our board of directors to issue one or more series of preferred stock and set the terms of the preferred stock without seeking any further approval from holders of our common stock. Currently, there are 100 million shares of preferred stock authorized but none issued. Any preferred stock that is issued may rank ahead of our common stock in terms of dividends, priority and liquidation premiums and may have greater voting rights than holders of our common stock.

***If persons engage in short sales of our common stock, the price of our common stock may decline.***

Selling short is a technique used by a stockholder to take advantage of an anticipated decline in the price of a security. A significant number of short sales or a large volume of other sales within a relatively short period of time can create downward pressure on the market price of a security. Further sales of common stock could cause even greater declines in the price of our common stock due to the number of additional shares available in the market, which could encourage short sales that could further undermine the value of our common stock. Holders of our securities could, therefore, experience a decline in the value of their investment as a result of short sales of our common stock.

***Provisions in our charter documents and credit agreement and provisions of Delaware law may discourage takeovers, which could affect the rights of holders of our common stock.***

Provisions of Delaware law and our amended and restated certificate of incorporation, amended and restated bylaws and our credit agreement could hamper a third party's acquisition of us or discourage a third party from attempting to acquire control of us. These provisions include:

- the absence of cumulative voting in the election of our directors, which means that the holders of a majority of our common stock may elect all of the directors standing for election;
- the ability of our board of directors to issue preferred stock with voting rights or with rights senior to those of the common stock without any further vote or action by the holders of our common stock;
- the division of our board of directors into three separate classes serving staggered three-year terms;
- the ability of our stockholders, at such time when Thermo does not own a majority of our outstanding capital stock entitled to vote in the election of directors, to remove our directors only for cause and only by the vote of at least 66<sup>2</sup>/<sub>3</sub>% of the outstanding shares of capital stock entitled to vote in the election of directors;
- prohibitions, at such time when Thermo does not own a majority of our outstanding capital stock entitled to vote in the election of directors, on our stockholders acting by written consent;
- prohibitions on our stockholders calling special meetings of stockholders or filling vacancies on our board of directors;
- the requirement, at such time when Thermo does not own a majority of our outstanding capital stock entitled to vote in the election of directors, that our stockholders must obtain a super-majority vote to amend or repeal our amended and restated certificate of incorporation or bylaws;
- change of control provisions in our credit agreement, which provide that a change of control will constitute an event of default and, unless waived by the lenders, will result in the acceleration of the maturity of all indebtedness under the credit agreement; and

- change of control provisions in our 2006 Equity Incentive Plan, which provide that a change of control may accelerate the vesting of all outstanding stock options, stock appreciation rights and restricted stock.

We also are subject to Section 203 of the Delaware General Corporation Law, which, subject to certain exceptions, prohibits us from engaging in any business combination with any interested stockholder, as defined in that section, for a period of three years following the date on which that stockholder became an interested stockholder. This provision does not apply to Thermo, which became our principal stockholder prior to our initial public offering.

These provisions also could make it more difficult for you and our other stockholders to elect directors and take other corporate actions, and could limit the price that investors might be willing to pay in the future for shares of our common stock.

***We are controlled by Thermo, whose interests may conflict with yours.***

As of December 31, 2007, Thermo owned approximately 62% of our outstanding common stock. Thermo is able to control the election of all of the members of our board of directors and the vote on substantially all other matters, including significant corporate transactions such as the approval of a merger or other transaction involving our sale.

We have depended substantially on Thermo to provide capital to finance our business. In 2006 and 2007, Thermo Funding purchased an aggregate of \$200 million of our common stock at prices substantially above market. On December 17, 2007, Thermo Funding assumed all of the obligations and was assigned all of the rights (other than indemnification rights) of the administrative agent and the lenders under our amended and restated credit agreement. As of December 31, 2007, we were indebted to Thermo Funding under this credit agreement in the amount of \$50 million, and we borrowed the remaining \$100 million available under this credit agreement in January and February, 2008. These loans are secured by a first lien on the assets of Globalstar and its domestic subsidiaries, other than our FCC licenses. Thermo is not obligated to provide any additional capital to us.

Thermo is controlled by James Monroe III, our chairman and chief executive officer. Through Thermo, Mr. Monroe holds equity interests in, and serves as an executive officer or director of, a diverse group of privately-owned businesses not otherwise related to us. Although Mr. Monroe receives no compensation from us, he has advised us that he intends to devote whatever portion of his time is necessary to perform his duties as our chairman and chief executive officer. We do reimburse Thermo and Mr. Monroe for certain expenses they incur in connection with our business.

The interests of Thermo may conflict with the interests of our other stockholders. Thermo may take actions it believes will benefit its equity investment in us or loans to us even though such actions might not be in your best interests as a holder of our common stock.

***As a "controlled company," as defined in the NASDAQ Marketplace Rules, we qualify for, and rely on, exemptions from certain corporate governance requirements.***

Thermo owns common stock representing more than a majority of the voting power in election of our directors. As a result, we are considered a "controlled company" within the meaning of the corporate governance standards in the NASDAQ Marketplace Rules. Under these rules, a "controlled company" may elect not to comply with certain corporate governance requirements, including the requirement that a majority of its board of directors consist of independent directors, the requirement that it have a nominating/corporate governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and the requirement that it have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities. We have elected to be

treated as a controlled company and thus utilize these exemptions. As a result, we do not have a majority of independent directors nor so we have compensation and nominating/corporate governance committees consisting entirely of independent directors. Accordingly, you do not have the same protection afforded to stockholders of companies that are subject to all of the NASDAQ Marketplace corporate governance requirements.

***Our pre-emptive rights offering, which we intend to commence in the future, is not in strict compliance with the technical requirements of our prior certificate of incorporation.***

Our certificate of incorporation as in effect when we entered into the irrevocable standby stock purchase agreement with Thermo Funding provided that stockholders who are accredited investors (as defined under the Securities Act) were entitled to pre-emptive rights with respect to the transaction with Thermo Funding. We intend to offer our stockholders as of June 15, 2006 who are accredited investors the opportunity to participate in the transaction contemplated by the irrevocable standby stock purchase agreement with Thermo Funding on a pro rata basis on substantially the same terms as Thermo Funding. Some of our stockholders could allege that the offering does not comply fully with the terms of our prior certificate of incorporation. Although we believe any variance from the requirements of our former certificate of incorporation is immaterial and that we had valid reasons for delaying the pre-emptive rights offering until after our initial public offering, a court may not agree with our position if these stockholders allege that we have violated their pre-emptive rights. In that case, we can not predict the type of remedy the court could award such stockholders.

***The pre-emptive rights offering, which we are required to make to our existing stockholders, will be done on a registered basis, and may negatively affect the trading price of our stock.***

The pre-emptive rights offering will be made pursuant to a registration statement filed with, and potentially reviewed by, the SEC. After giving effect to waivers that we have already received, up to 785,328 shares of our common stock may be purchased if the pre-emptive rights offering is fully subscribed. Such shares may be purchased at approximately \$16.17 per share, regardless of the trading price of our common stock. The nature of the pre-emptive rights offering may negatively affect the trading price of our common stock.

**Item 1B. Unresolved Staff Comments**

Not Applicable

## Item 2. Properties

Our principal headquarters are located in Milpitas, California, where we currently lease 45,896 square feet of office space. We own or lease the facilities described in the following table:

Location	Country	Sq Feet	Facility Use	Owned/Leased
El Dorado Hills, California	USA	11,000	Back-Up Control Center	Leased
Mississauga, Ontario	Canada	13,627	Canada Office	Leased
Milpitas, California	USA	45,896	Corporate Office	Leased
Dublin	Ireland	1,700	Europe Office	Leased
Landover, Maryland	USA	1,810	Sales Office	Leased
Caracas	Venezuela	2,200	Venezuela Office	Leased
Panama City	Panama	1,141	GAT Office	Leased
Guatemala City	Guatemala	699	Sales Office	Leased
Tegucigalpa	Honduras	377	Sales Office	Leased
Seletar Satellite Earth Station	Singapore	4,500	Gateway	Leased
Clifton, Texas	USA	10,000	Gateway	Owned
Sebring, Florida	USA	9,000	Gateway	Leased
Barrio of Las Palmas, Cabo Rojo	Puerto Rico	6,000	Gateway	Owned
Aussaguel	France	4,600	Gateway	Leased
Los Velasquez, Edo Miranda	Venezuela	9,700	Gateway	Owned
Wasilla, Alaska	USA	5,000	Gateway	Owned
Smith Falls, Ontario	Canada	6,500	Gateway	Owned
High River, Alberta	Canada	6,500	Gateway	Owned
Managua	Nicaragua	10,857	Gateway	Owned

Our owned properties in Clifton, Texas and Wasilla, Alaska are encumbered by liens in favor of Thermo Funding under our credit agreement. See "Management's Discussion and Analysis—Contractual Obligations and Commitments."

### **Item 3. Legal Proceedings**

From time to time, we are involved in various 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 the Company's business, results of operations or financial condition. We are involved in certain litigation matters as discussed below.

On February 9, 2007, the first of three purported class action lawsuits was filed against us, our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO") in the United States District Court for the Southern District of New York alleging that our registration statement related to our 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. The Amended Complaint reasserts claims against us and our CEO and CFO, and adds as defendants the three co-lead underwriters of the IPO, Wachovia Capital Markets, LLC, JPMorgan Securities, Inc. and Jefferies & Company, Inc. It cites a drop in the trading price of our common stock that followed our filing, on February 5, 2007, of a Current Report of Form 8-K relating in part to changes in the condition of our satellite constellation. It seeks, on behalf of a class of purchasers of our 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 November 15, 2007, plaintiffs filed their Second Amended Complaint. Defendants' response and motion to dismiss was filed on February 15, 2008. The Plaintiff's response to these motions is due April 15, 2008 in accordance with the Court's scheduling order. We intend to continue to defend the matter vigorously.

On April 7, 2007, Kenneth Stickrath and Sharan Stickrath filed a purported class action complaint against us 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 we did not perform according to our 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 we 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 our motion. Subsequently, on October 17, 2007, the plaintiffs filed their Second Amended Complaint, and we filed our Objections to Plaintiffs' First Set of Requests for Production of Documents. A hearing on our motion to dismiss the Second Amended Complaint was held on February 5, 2008. On February 6 the judge granted our motion in part and denied it in part. Discovery related solely to the issue of certification of the class is ongoing.

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 asserts claims based on Quebec law related to his alleged problems with Globalstar Canada's service. We moved to disqualify Mr. Barrette because of his association with the law firm representing plaintiffs and to transfer the case to the district of Montreal. The court recently granted our motion for a change of venue, and plaintiff's counsel substituted a new designated representative of the purported class. The case is now known as *Steve Poisson v. Globalstar Canada Satellite Co.*, No. 500-06-000417-077. Plaintiff has not specified what remedies he is seeking.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None.

**PART II**

**Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchasers of Equity Securities**

Our common stock has been quoted on The NASDAQ Global Select Market under the symbol "GSAT," since November 2, 2006. Prior to that time, there was no public market for our stock. The following table sets forth the closing high and low prices of our common stock as reported by The NASDAQ Global Select Market for the period indicated:

Quarter Ended:	2007	
	High	Low
December 31, 2006	\$ 17.52	\$ 12.80
March 31, 2007	\$ 14.68	\$ 9.75
June 30, 2007	\$ 11.20	\$ 9.05
September 30, 2007	\$ 12.10	\$ 7.33
December 31, 2007	\$ 9.84	\$ 6.39

As of March 4, 2008, we had 294 holders of record of our common stock. We have never declared or paid any cash dividends on our common stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future.

On April 24, 2006, we entered into an irrevocable standby stock purchase agreement with Thermo Funding pursuant to which Thermo Funding agreed to purchase up to 12,371,136 shares of our common stock at a price of \$16.17 per share. The standby stock purchase agreement was required by the lender under our prior revolving credit agreement as a condition to entering into that credit agreement. The sale of these shares was exempt from registration under Section 4(2) of the Securities Act because their sale to an affiliate of the Company did not constitute a public offering. During the year ended December 31, 2007, Thermo Funding made the following purchases pursuant to the agreement.

Date of Purchase	Number of Shares	Purchase Price (in millions)
February 5, 2007	1,500,000	24.3
April 30, 2007	1,546,073	25.0
May 9, 2007	618,429	10.0
July 31, 2007	2,164,502	35.0
September 7, 2007	1,236,858	20.0
September 27, 2007	1,607,916	26.0
November 2, 2007	769,518	12.4
Total	9,443,296	\$ 152.7

Pursuant to our continuing consolidation strategy and to enhance our presence in South America, on February 4, 2005, GdeV, an indirect (through Globalstar Canada Satellite Company "GCSC") subsidiary of Globalstar, executed a series of agreements to acquire the mobile satellite services business assets of TE.SA.M. de Venezuela, C.A. ("TESAM"), our service provider in Venezuela, at a cost of \$1.6 million. This asset purchase was completed in two stages. The first stage, which transferred certain nonregulated assets, including the land where the Venezuelan gateway is located, was completed upon the execution of the agreements.

The second stage of the transaction, which transferred regulated assets including the gateway equipment, was completed after the Venezuelan regulatory consents were obtained in 2007. Management determined that operational control passed to New Globalstar with the completion of the first stage of the transaction in February 2005. Pursuant to the purchase agreements, GdeV paid approximately \$342,000 upon execution of the agreements. The \$1,250,000 balance of the purchase price is payable in sixteen quarterly installments of \$78,125 (interest imputed at 7.0% resulting in a discount of approximately \$250,000). Only the first two of these sixteen quarterly installments were required in advance of Venezuelan regulatory approvals. Principal and interest payments made in 2007 and 2006 were \$820,000 and \$195,000, respectively. In exchange for the principal amounts outstanding of approximately \$246,000, we issued 25,471 shares of our common stock in December 2007. As of December 31, 2007, there were no outstanding amounts associated with this acquisition. The issuance of these shares was exempt from registration under Section 4(2) of the Securities Act because it did not constitute a public offering. A registration statement covering the resale of these shares was declared effective by the SEC in December 2007.

Effective January 1, 2006, we consummated an agreement dated December 30, 2005 to purchase all of the issued and outstanding stock of the Globalstar Americas Holding ("GAH"), Globalstar Americas Telecommunications ("GAT"), and Astral Technologies Investment Limited ("Astral"), collectively, the "GA Companies." The GA Companies owned assets, contract rights, and licenses necessary and sufficient to operate a satellite communications business in Panama, Nicaragua, Honduras, El Salvador, Guatemala, and Belize (collectively, the "Territory"). The purchase price for the GA Companies was \$5,250,500 payable substantially 100% in our common stock. Under the terms

of the acquisition agreement, we were obligated either to redeem the original stock issued to the selling stockholders in January 2006 for \$5.2 million in cash or to pay the selling stockholders, in cash or in stock, the difference between \$5.2 million and the market value of that stock multiplied by the 5-day average closing price of our common stock for the period ending November 22, 2006. In accordance with the supplemental agreement dated December 21, 2006 with certain selling stockholders, we elected to make payment in common stock and issued 259,845 shares of additional common stock to certain selling stockholders. Under this supplemental agreement this stock was valued at approximately \$3.7 million. However, it was not registered and therefore was not marketable. Accordingly, this supplemental agreement also provided that, in order to compensate the selling stockholders for the inability to sell these shares, every month we paid interest on \$3.7 million at the monthly New York prime rate until these shares become marketable, but not later than December 31, 2007. In accordance with the supplemental agreement, if the market value of the 259,845 shares issued was less than \$3.7 million at the time of registration or December 22, 2007, whichever was sooner, we were required to pay the shortfall to these selling shareholders the difference between the market value and the \$3.7 million. On December 17, 2007, we issued 153,916 shares of our common stock valued at approximately \$1.5 million at a price of \$9.675 per share as compensation to satisfy the shortfall in the value of shares issued as well as in lieu of cash interest paid during 2007. The issuance of these shares was exempt from registration under Section 4(2) of the Securities Act because it did not constitute a public offering. A registration statement covering the resale of these shares was declared effective by the SEC in December 2007.

## Item 6. Selected Financial Data

The following table presents our selected historical consolidated financial information and other data for the period from January 1, 2003 through December 4, 2003, for the period from December 5, 2003 through December 31, 2003, for the years ended December 31, 2004, 2005, 2006 and 2007, and as of December 31, 2003, 2004, 2005, 2006 and 2007. The selected historical consolidated financial data of Old Globalstar (Predecessor) for the period from January 1, 2003 through December 4, 2003 has been derived from Old Globalstar's consolidated financial statements, which are not included in this Report. Our selected historical consolidated financial data for the period December 5, 2003 through December 31, 2003 ("Successor") and as of December 31, 2003 and 2004 has been derived from our audited consolidated balance sheets as of those dates, which are not included in this Report.

The columns in the following tables entitled "Predecessor" contain financial information with respect to the business and operations of Old Globalstar for periods prior to December 5, 2003, the date on which we obtained control of its assets.

You should read the selected historical consolidated financial data set forth below together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," all included in Items 7 and 8 of this Report. The selected historical consolidated financial data set forth below are not necessarily indicative of the results of future operations.

	Successor				Predecessor	
	Year Ended December 31,				December 5 through December 31,	January 1 through December 4,
	2007	2006	2005	2004	2003	2003
(Dollars in thousands, except per share data, average monthly revenue per unit and average monthly churn rate)						
<b>Statement of Operations Data:</b>						
<b>Revenue:</b>						
Service revenue	\$ 78,313	\$ 92,037	\$ 81,472	\$ 57,927	\$ 2,387	\$ 40,048
Subscriber equipment sales(1)	20,085	44,634	45,675	26,441	1,470	16,295
<b>Total revenue</b>	<b>98,398</b>	<b>136,671</b>	<b>127,147</b>	<b>84,368</b>	<b>3,857</b>	<b>56,343</b>
<b>Operating Expenses:</b>						
Cost of services (exclusive of depreciation and amortization shown separately below)	27,775	28,091	25,432	25,208	1,931	26,629
Cost of subscriber equipment sales(2)	13,863	40,396	38,742	23,399	635	12,881
Marketing, general and administrative	49,146	43,899	37,945	32,151	4,950	28,814
Restructuring	—	—	—	5,078	690	5,381
Depreciation and amortization	13,137	6,679	3,044	1,959	125	31,473
Impairment of assets	19,109	1,943	114	114	—	211,854
<b>Total operating expenses</b>	<b>123,030</b>	<b>121,008</b>	<b>105,277</b>	<b>87,909</b>	<b>8,331</b>	<b>317,032</b>
<b>Operating Income (Loss)</b>	<b>(24,632)</b>	<b>15,663</b>	<b>21,870</b>	<b>(3,541)</b>	<b>(4,474)</b>	<b>(260,689)</b>
Interest income	3,170	1,172	242	58	7	7
Interest expense(3)	(9,023)	(587)	(269)	(1,382)	(131)	(1,513)
Interest rate derivative loss	(3,232)	(2,716)	—	—	—	—
Other	8,656	(3,980)	(622)	921	44	485
<b>Total other income (expense)</b>	<b>(429)</b>	<b>(6,111)</b>	<b>(649)</b>	<b>(403)</b>	<b>(80)</b>	<b>(1,021)</b>
<b>Income (loss) before income taxes</b>	<b>(25,061)</b>	<b>9,552</b>	<b>21,221</b>	<b>(3,944)</b>	<b>(4,554)</b>	<b>(261,710)</b>
<b>Income tax expense (benefit)</b>	<b>2,864</b>	<b>(14,071)</b>	<b>2,502</b>	<b>(4,314)</b>	<b>(37)</b>	<b>170</b>
<b>Net Income (Loss)</b>	<b>\$ (27,925)</b>	<b>\$ 23,623</b>	<b>\$ 18,719</b>	<b>\$ 370</b>	<b>\$ (4,517)</b>	<b>\$ (261,880)</b>

	Successor				Predecessor	
	Year Ended December 31,				December 5 through December 31,	January 1 through December 4,
	2007	2006	2005	2004	2003	2003

(Dollars in thousands, except per share data, average monthly revenue per unit and average monthly churn rate)

**Earnings (Loss) Per Share Data(4):**

Earnings (loss) per common share—basic	\$ (0.36)	\$ 0.37	\$ 0.30	\$ 0.01	\$ (0.08)	N/A
Earnings (loss) per common share—diluted	\$ (0.36)	\$ 0.37	\$ 0.30	\$ 0.01	\$ (0.08)	N/A
Weighted average shares—basic	77,169,138	63,709,763	61,855,668	60,463,917	60,000,000	N/A
Weighted average shares—diluted	77,169,138	64,076,182	61,955,874	60,463,917	60,000,000	N/A

**Pro Forma C Corporation Data(5) (unaudited):**

Historical income before income taxes	N/A	N/A	\$ 21,221	N/A	N/A	N/A
Pro forma income tax expense (benefit)	N/A	N/A	6,931	N/A	N/A	N/A
Pro forma net earnings	N/A	N/A	\$ 14,290	N/A	N/A	N/A
Pro forma net earnings per share—basic	N/A	N/A	\$ 0.23	N/A	N/A	N/A
Pro forma net earnings per share—diluted	N/A	N/A	\$ 0.23	N/A	N/A	N/A
Weighted average shares—basic	N/A	N/A	61,855,668	N/A	N/A	N/A
Weighted average shares—diluted	N/A	N/A	61,955,874	N/A	N/A	N/A

**Other Data (for the period) (unaudited):**

Average monthly revenue per unit(6)						
Retail	\$ 46.26	\$ 58.91	\$ 68.10	\$ 67.93	\$ 62.90	\$ 69.66
Number of subscribers	284,126	262,802	195,968	141,450	109,503	105,571
Average monthly churn rate(7)	1.75%	1.09%	1.27%	1.51%	1.18%	0.84%
EBITDA(8)	\$ (2,839)	\$ 18,362	\$ 24,292	\$ (661)	\$ (4,305)	\$ (228,731)
Capital expenditures	\$ 169,989	\$ 107,544	\$ 9,885	\$ 4,015	\$ 10	\$ 1,058

**Successor**

Balance Sheet Data:	As of December 31, 2007	As of December 31, 2006	As of December 31, 2005	As of December 31, 2004	As of December 31, 2003
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(In Thousands)

Cash and cash equivalents	\$ 37,554	\$ 43,698	\$ 20,270	\$ 13,330	\$ 20,026
Restricted cash(9)	\$ 80,871	\$ 52,581	\$ —	\$ —	\$ —
Total assets	\$ 512,975	\$ 331,701	\$ 113,545	\$ 63,897	\$ 48,214
Long-term debt(10)	\$ 50,000	\$ 417	\$ 631	\$ 3,278	\$ 3,426,338
Redeemable common stock	\$ —	\$ 4,949	\$ —	\$ —	\$ —
Ownership equity (deficit)	\$ 405,544	\$ 260,697	\$ 71,430	\$ 40,421	\$ (3,415,195)

- Includes related party sales of \$59, \$3,423 and \$440 for the years ended December 31, 2007, 2006 and 2005, respectively.
- Includes costs of related party sales of \$46, \$3,041 and \$314 for the years ended December 31, 2007, 2006 and 2005, respectively.
- Includes related party amounts of \$83 (year ended December 31, 2007), \$0 (year ended December 31, 2006), \$176 (year ended December 31, 2005), \$1,324 (year ended December 31, 2004), \$131 (December 5, 2003—December 31, 2003) and \$337 (January 1, 2003—December 4, 2003).
- Basic and diluted earnings (loss) per share have been calculated in accordance with SEC rules that require that the weighted average share calculation give retroactive effect to any changes in our capital structure. Therefore, weighted

average shares for purposes of the basic and diluted earnings per share calculation has been adjusted to reflect the six-for-one stock split that occurred on October 25, 2006.

- (5) Prior to January 1, 2006, we and Predecessor were treated as a partnership for federal income tax purposes. A partnership passes through essentially all taxable income and losses to its partners or members and does not pay federal income taxes at the partnership level. Historical income tax expense consists mainly of foreign, state and local income taxes. On January 1, 2006, we elected to be taxed as a C corporation. For comparative purposes, we have included a pro forma provision for income taxes assuming we (or Predecessor) had been taxed as a C corporation for the year ended December 31, 2005. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Income Taxes" and Note 9 to our consolidated financial statements.
- (6) Average monthly revenue per unit measures service revenues per month divided by the average number of subscribers during that month. Average monthly revenue per unit as so defined may not be similar to average monthly revenue per unit as defined by other companies in our industry, is not a measurement under GAAP and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe that average monthly revenue per unit provides useful information concerning the appeal of our rate plans and service offerings and our performance in attracting and retaining high value customers.
- (7) We define churn rate as the aggregate number of our retail subscribers (excluding Simplex customers and customers of the independent gateway operators) who cancel service during a month, divided by the average number of retail subscribers during the month. Others in our industry may calculate churn rate differently. Churn rate is not a measurement under GAAP and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe that churn rate provides useful information concerning customer satisfaction with our services and products.
- (8) EBITDA represents earnings before interest, income taxes, depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to GAAP measurements, such as net income, and our calculations thereof may not be comparable to similarly entitled measures reported by other companies.

We use EBITDA as the primary measurement of our operating performance because, by eliminating interest, taxes and the non-cash items of depreciation and amortization, we believe it best reflects changes across time in our performance, including the effects of pricing, cost control and other operational decisions. Our management uses EBITDA for planning purposes, including the preparation of our annual operating budget. We believe that EBITDA also is useful to investors because it is frequently used by securities analysts, investors and other interested parties in their evaluation of companies in industries similar to ours. As indicated, EBITDA does not include interest expense on borrowed money or depreciation expense on our capital assets or the payment of taxes, which are necessary elements of our operations. Because EBITDA does not account for these expenses, its utility as a measure of our operating performance has material limitations. Because of these limitations, management does not view EBITDA in isolation and also uses other measures, such as net income, revenues and operating profit, to measure operating performance.

The following is a reconciliation of EBITDA to net income (loss):

	Successor				Predecessor	
	Year Ended December 31,				December 5 through December 31,	January 1 through December 4,
	2007	2006	2005	2004	2003	2003
	(In Thousands)					
Net income (loss)	\$ (27,925)	\$ 23,623	\$ 18,719	\$ 370	\$ (4,517)	\$ (261,880)
Interest expense (income), net (a)	9,085	2,131	27	1,324	124	1,506
Income tax expense (benefit) (b)	2,864	(14,071)	2,502	(4,314)	(37)	170
Depreciation and amortization	13,137	6,679	3,044	1,959	125	31,473
<b>EBITDA</b>	<b>\$ (2,839)</b>	<b>\$ 18,362</b>	<b>\$ 24,292</b>	<b>\$ (661)</b>	<b>\$ (4,305)</b>	<b>\$ (228,731)</b>

- (a) Includes Interest expense (income) and interest rate derivative loss
- (b) See Note 5 above.

The following table provides supplemental information as to unusual and other items that are reflected in EBITDA:

	Successor				Predecessor	
	Year Ended December 31,				December 5 through December 31,	January 1 through December 4,
	2007	2006	2005	2004	2003	2003
	(In Thousands)					
Satellite failures(a)	—	—	\$ 114	\$ 114	\$ —	\$ 2,527
ELSACOM settlements(b)	\$ 278	\$ 396	—	—	—	\$ 744
Pension adjustment(c)	—	—	—	—	—	\$ 941
UT writeoff recovery(d)	—	—	—	—	—	\$ (103)
Asset impairment(e)	—	—	—	—	—	\$ 211,854
Restructuring (other)(f)	—	—	—	\$ 5,078	\$ 690	\$ 5,381
Inventory write-down(g)	\$ 19,109	\$ 1,943	—	—	—	—

(a) Represents a write-off for failed satellites.

(b) Represents a write-off in settlement of an overdue gateway receivable from an independent gateway operator and for a settlement over territorial coverage.

(c) Represents the benefit of pension and benefit adjustments.

(d) Represents the recovery of overdue accounts receivable previously written off.

(e) Represents an impairment charge related to allocation of the price we paid in the Reorganization for the assets and business of Old Globalstar.

(f) Represents costs relating to the restructuring of Old Globalstar that we assumed in the Reorganization.

(g) Represents a write-down of certain first generation product inventory for excess inventory.

(9) Restricted cash is comprised of funds held in escrow by a financial institution to secure our payment obligations related to our contract for the construction of the second-generation satellite constellation.

(10) Includes liabilities subject to compromise as of December 31, 2003 in the amount of \$3,421,967.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our consolidated financial statements and notes thereto in Item 8 of this Report.

### 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.

In early 2002, Old Globalstar and three of its subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. We were formed in Delaware in November 2003 for the purpose of acquiring substantially all the assets of Old Globalstar and its subsidiaries. With Bankruptcy Court approval, we acquired Old Globalstar's assets and assumed certain of its liabilities in a two-step transaction, with the first step completed on December 5, 2003, and the second step on April 14, 2004 (the "Reorganization"). On January 1, 2006, we elected to be taxed as a C corporation, and on March 17, 2006, we converted from a Delaware limited liability company to a Delaware corporation.

*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; and
- a general reduction in prices of user equipment.

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

Nonetheless, as further described under "Risk Factors," 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. A number 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 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 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.

Although the rate of degradation of the S-band antennas has slowed in recent months, we continue to believe that, the quality of two-way communication services will continue to decline, and by some time in 2008 substantially 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 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 four-part sequential 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 this plan. See "Part I, Item 1A. Risk Factors—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."

- *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. For example, Inmarsat plans to commence offering satellite services to handheld devices in the United States around 2008, and several competitors, such as ICO Global Communications Company, are constructing geostationary satellites that may provide mobile satellite service. Increased numbers 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 57% of our total assets at December 31, 2007 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 during 2006 and 2007 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 \$1.25 billion, which we expect will be reflected in capital expenditures through 2013. The following obligations are included in this amount:
    - On November 30, 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 €667.6 million (approximately

\$953.1 million at a weighted average conversion rate of €1.00 = \$1.4276 at December 31, 2007, including approximately €146.3 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.294). We have made payments in the amount of approximately €100.5 million (approximately \$130.3 million) through December 31, 2007 under this contract. At our request, Thales Alenia Space has presented to us a four-part sequential 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 (\$9.9 million to \$19.7 million at € 1.00 = \$1.4729). In 2007, we accepted the first two portions of this plan with an additional cost of €4.1 million (\$6.0 million at €1.00 = \$1.4729). We cannot assure you that any of the remaining acceleration will occur.

- In March 2007, we entered into a €9.0 million (approximately \$13.3 million at a conversion rate of €1.00 = \$1.4729) 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 payments in the amount of approximately €2.9 million (approximately \$3.9 million) through December 31, 2007.
- On September 5, 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 \$210.0 million. We have made payments in the amount of approximately \$10.5 million through December 31, 2007.
- We have begun construction of a gateway in Singapore at a total cost of approximately \$4.0 million. This gateway is expected to be fully operational in the second half of 2008.

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.
- *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 (37% for the year ended December 31, 2007) 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. Any decline in the relative value of the U.S. dollar may adversely affect our revenues and increase our capital expenditures. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" for additional information.

*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 starting to work on second-generation SPOT-like applications.

- SPOT Addressable Market

We believe the addressable market for our SPOT products and services in North America alone is approximately 50 million units. 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 products and services relies, covers approximately 50% of the world population. We intend to market our SPOT products and services aggressively in our overseas markets including South and Central America, Western Europe, and through independent gateway operators in their respective territories.

- SPOT Pricing

The pricing for SPOT products and services and equipment is intended to be extremely competitive. Annual service fees currently range from \$99.99 for our basic level plan to \$149.98 for additional tracking capability. We expect the equipment will be sold to end users at \$169.99 per unit.

- SPOT 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 Bass Pro Shops, Big 5 Sporting Goods, Big Rock Sports, Boater's World, Cabela's, Campmor, Joe's Sport, Outdoor and More, Orvis, REI, Rescue Source 3, Sportsman's Warehouse, West Marine and Wymit. Our objective is to sell SPOT products through approximately 5,000 distribution points by the end of the second quarter of 2008 and 10,000 in 2009. Currently, the SPOT satellite messenger is being sold in approximately 2,000 distribution points. We also intend to sell directly using our existing salesforce into key vertical markets and through our direct e-commerce website ([www.findmespot.com](http://www.findmespot.com)).

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

*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 U.S. ATC license.

In addition to our agreement with Open Range Communications, Inc. (See "Item 1.—Ancillary Terrestrial Component—ATC Opportunities"), we hope to exploit additional ATC 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.

As described in "Item 1—Business: ATC Opportunities," the FCC has opened a rulemaking proceeding to consider expanding the amount of spectrum in which we may provide ATC from 11.5 MHz to as much as 19.275 MHz. We and other interested parties have filed comments and reply comments, and we expect a decision in 2008. Implementation of our agreement with Open Range Communications is contingent upon our receiving substantially more ATC spectrum in our S-band than the 5.5 MHz we currently have. We believe that we have made a convincing case for 6 MHz additional in the S-band; however, we cannot predict whether the FCC will agree with us in its final decision.

*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 years ended December 31, 2007, 2006 and 2005.

	Year Ended December 31, 2007		Year Ended December 31, 2006		Year Ended December 31, 2005	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
<b>Service Revenue:</b>						
Mobile (voice and data)	\$ 60,920	62%	\$ 71,101	52%	\$ 60,092	47%
Fixed (voice and data)	5,369	5	7,741	6	6,637	5
Satellite data modems (data)	1,649	2	1,573	1	1,240	1
Asset tracking and monitoring	2,407	2	1,636	1	945	1
Independent gateway operators	4,465	5	8,032	6	9,098	7
Other(1)	3,503	4	1,954	1	3,460	3
Subtotal	78,313	80	92,037	67	81,472	64
<b>Subscriber Equipment Sales:</b>						
Mobile equipment	11,931	12	22,542	17	23,662	19
Fixed equipment	2,160	2	6,149	5	5,278	4
Data equipment	1,946	2	2,023	1	1,085	1
Accessories/misc.	4,048	4	13,920	10	15,650	12
Subtotal	20,085	20	44,634	33	45,675	36
<b>Total Revenue</b>	<b>\$ 98,398</b>	<b>100%</b>	<b>\$ 136,671</b>	<b>100%</b>	<b>\$ 127,147</b>	<b>100%</b>

(1) Includes activation fees and engineering service revenue.

*Operating Income (Loss).* We realized an operating loss of \$24.6 million for the year ended December 31, 2007 compared to operating income of \$15.7 million in 2006. This decrease can be attributed primarily to a \$19.1 million charge for impairment of assets caused by a write down of our first-generation product inventory recognized in 2007. We recognized these impairment charges after assessing our inventory and current and projected sales. Lower service revenue and a decline in equipment sales as a result of degradation of our two-way communication service during the year ended December 31, 2007 compared to last year also contributed to the decline in operating results. Lower usage also resulted in lower retail Average Revenue Per Unit (ARPU) on our monthly service plans. Moreover, concerns over the long term viability of, and service issues related to, our first generation constellation's voice service contributed to lower subscriber equipment sales for the year ended December 31, 2007.

#### **Independent Gateway Acquisition Strategy**

Currently, 16 of the 25 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 (in cash) the aggregate amount we may invest in foreign acquisitions without the consent of our lenders.

In February 2005, we purchased the Venezuela gateway for \$1.6 million in cash to be paid over four years. Effective January 1, 2006, we acquired the Central American gateway and other real property assets for \$5.2 million, paid principally in shares of our common stock. In December 2007, we agreed to acquire an independent gateway operator that owns three satellite gateway ground stations in Brazil for \$6.5 million. The purchase price will be 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;
- ARPU, which is an indicator of our pricing and ability to obtain effectively long-term, high-value customers;
- operating income, which is an indication of our performance;
- 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 certain 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 other annual plans under which the customer is charged an annual fee to access our system. These fees are recognized on a straight-line basis over the term of the plan. In some cases, we charge a per minute rate whereby we recognize the revenue when each minute is used.

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 these 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.

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 or annual fee. The unlimited loyalty plan incorporates a

declining 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 price. We record revenue for this plan on a monthly basis 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 December 31, 2007 and December 31, 2006, our deferred revenue aggregated approximately \$20.4 million (with \$1.0 million included in non-current liabilities) and \$23.4 million, 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 acquired on December 5, 2003, through the Old Globalstar bankruptcy proceedings, was stated at fair value at the date of our acquisition. Subsequent inventory transactions are 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.

The carrying value of the Globalstar System 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.

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") will be depreciated over an estimated life of eight years beginning on the satellite's "In-Service Date."

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. 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 9 to our consolidated financial statements for the impact of this adoption on our financial statements.

### ***Spare Satellites, Launch Costs and Second-Generation Satellites***

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 commences when the satellites are placed in service and begin to handle call traffic. As of December 31, 2007, five of the eight satellites had been placed into service and were handling call traffic. The remaining three satellites are being placed into their desired orbital plane. As of December 31, 2007 and December 31, 2006, these assets were recorded at \$47.8 million and

\$87.8 million, respectively. The amount relating to spare satellites that were placed into service during the year ended December 31, 2007 (approximately \$79.3 million), was classified within the Globalstar System as part of the space segment. These satellites will be a part of the second-generation constellation and are being depreciated over an estimated useful life of eight years.

On November 30, 2006, we entered into a contract with Thales Alenia Space to construct 48 low-earth orbit satellites. The total contract price, including subsequent additions, is approximately €667.6 million (approximately \$953.1 million at a weighted average conversion rate of €1.00 = \$1.4276 at December 31, 2007 including approximately €146.3 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.294). The contract requires Thales Alenia Space to commence delivery of satellites in the third quarter of 2009, with deliveries continuing until 2013 unless we elect to accelerate delivery. If we elect to accelerate delivery of the second phase of satellites, it is contemplated that all of the satellites will be delivered by the third quarter of 2010. As of December 31, 2007 and 2006, capitalized interest recorded was \$1.1 million and \$0.9 million, respectively. At our request, Thales Alenia Space has presented a four-part sequential plan to us 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 (\$9.9 million to \$19.7 million at € 1.00 = \$1.4729). In 2007, we accepted the first two portions of this plan with an additional cost of €4.1 million (\$6.0 million at €1.00 = \$1.4729). We cannot assure you that any of 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 the Company's 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 €9.0 million (approximately \$13.3 million at a conversion rate of €1.00 = \$1.4729) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 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.

On September 5, 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 \$210.0 million. The total cost for the launches under this contract is included in our estimate of approximately \$1.25 billion to procure and deploy our second-generation satellite constellation and related gateway upgrades.

The depreciation on 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 utilize the services of a third party to perform these actuarial calculations.

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 and a forward contract for purchasing foreign currency to minimize our risk from interest rate fluctuations related to our variable rate credit agreement and minimize our risk from fluctuations related to the foreign currency exchange rates, respectively. We use the interest rate swap agreement and the forward contract for purchasing foreign currency 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 and the forward contract for purchasing foreign currency do not qualify for hedge accounting treatment. Changes in the fair value of the interest rate swap agreement and the forward contract for purchasing foreign currency are recognized as "Interest rate derivative gain (loss)" and "Other Income" over the

life of the agreements, respectively. We have agreed to provide collateral in the form of cash and securities equal to any negative value of the interest rate swap agreement.

### ***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. At January 1, 2006, the option of one board member to purchase up to 120,000 shares of common stock at \$2.67 per share was the only outstanding equity award. Compensation cost related to the remaining portion of this award for which the requisite service had not been rendered was insignificant. Therefore, the adoption of SFAS 123(R) did not have a significant impact on our financial position or results of operations.

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.

Prior to January 1, 2006, we accounted for our stock-based compensation plans in accordance with APB 25 and related interpretations. Accordingly, compensation expense for a stock option grant was recognized only if the exercise price was less than the market value of our common stock on the grant date.

## Results of Operations

### Comparison of Results of Operations for the Years Ended December 31, 2007 and 2006

Statements of Operations	Year Ended December 31, 2007	Year Ended December 31, 2006	% Change
	(In thousands)		
<b>Revenue:</b>			
Service revenue	\$ 78,313	\$ 92,037	(14.9)
Subscriber equipment sales(1)	20,085	44,634	(55.0)
Total Revenue	98,398	136,671	(28.0)
<b>Operating Expenses:</b>			
Cost of services (exclusive of depreciation and amortization shown separately below)	27,775	28,091	(1.1)
Cost of subscriber equipment sales(2)	13,863	40,396	(65.7)
Marketing, general and administrative	49,146	43,899	12.0
Depreciation and amortization	13,137	6,679	96.7
Impairment of assets	19,109	1,943	883.5
Total Operating Expenses	123,030	121,008	1.7
<b>Operating Income (Loss)</b>	(24,632)	15,663	N/A
Interest income	3,170	1,172	170.5
Interest expense	(9,023)	(587)	1,437.1
Interest rate derivative loss	(3,232)	(2,716)	19.0
Other income (expense), net	8,656	(3,980)	N/A
<b>Income (Loss) Before Income Taxes</b>	(25,061)	9,552	N/A
Income tax expense (benefit)	2,864	(14,071)	N/A
<b>Net Income (Loss)</b>	\$ (27,925)	\$ 23,623	N/A

(1) Includes related party amounts of \$59 and \$3,423 for the years ended December 31, 2007 and 2006, respectively.

(2) Includes related party amounts of \$46 and \$3,041 for the years ended December 31, 2007 and 2006, respectively.

**Revenue.** Total revenue decreased by \$38.3 million, or approximately 28.0%, to \$98.4 million for the year ended December 31, 2007, from \$136.7 million for 2006. This decrease is attributable in part to lower service revenues as a result of our two-way communication issues. Our service revenue was lower primarily due to price reductions aimed at maintaining our subscriber base despite our two-way communication issues. Our subscriber equipment sales also decreased significantly during the year ended December 31, 2007 as compared to 2006 as a result of our two-way communications issues. Our retail ARPU during the year ended December 31, 2007, decreased by 21.5% to \$46.26 from \$58.91 for 2006. We added approximately 21,000 subscribers in 2007 compared to 67,000 net subscriber additions in 2006.

**Service Revenue.** Service revenue decreased \$13.7 million, or approximately 14.9%, to \$78.3 million for the year ended December 31, 2007, from \$92.0 million for 2006. Although our subscriber base grew 8.0% to approximately 284,000 over the year ended December 31, 2007, we experienced decreased retail ARPU resulting in lower service revenue. We believe that the primary reason for this decrease in our service revenue was the reduction of our prices in response to our two-way communication issues.

*Subscriber Equipment Sales.* Subscriber equipment sales decreased by \$24.5 million, or approximately 55.0%, to \$20.1 million for the year ended December 31, 2007, from \$44.6 million for 2006. The decrease was due primarily to concerns over our two-way communications issues.

*Operating Expenses.* Total operating expenses increased \$2.0 million, or approximately 1.7%, to \$123.0 million for the year ended December 31, 2007, from \$121.0 million for the year ended December 31, 2006. This increase was due primarily to a net asset impairment charge to our first-generation phone and accessory inventory of \$19.1 million as a result of our assessment of inventory quantities and higher depreciation expense which was partially offset by the lower cost of subscriber equipment consistent with lower equipment sales for the year ended December 31, 2007.

*Cost of Services.* Our cost of services for the years ended December 31, 2007 and 2006 were \$27.8 million and \$28.1 million, respectively. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. These costs declined as a result of lower telecom costs and reductions in certain labor costs offset partially by an increase in non-cash executive incentive compensation as compared to 2006.

*Cost of Subscriber Equipment Sales.* Cost of subscriber equipment sales decreased \$26.5 million, or approximately 65.7%, to \$13.9 million for the year ended December 31, 2007, from \$40.4 million for 2006. This decrease was due primarily to lower equipment sales as a result of our two-way communication issues and lower equipment cost basis as a result of a net asset impairment charge to our first-generation inventory.

*Marketing, General and Administrative.* Marketing, general and administrative expenses increased \$5.2 million, or approximately 12.0%, to \$49.1 million for the year ended December 31, 2007, from \$43.9 million for 2006. This increase was due primarily to higher professional fees related to operating as a public company and non-cash stock compensation expense of \$9.6 million resulting from the change in the Executive Incentive Compensation Plan offset partially by lower dealer commissions as a consequence of lower sales. Additionally, advertising expenses were higher as a result of the introduction of our new SPOT products and services in the fourth quarter of 2007.

*Depreciation and Amortization.* Depreciation and amortization expense increased \$6.4 million, or 96.7%, to \$13.1 million for the year ended December 31, 2007, from \$6.7 million for 2006. This increase was due primarily to the additional depreciation associated with placing five of our recently-launched spare satellites into service and as a result of reducing the remaining useful life of our satellite system and related assets from 39 months to 27 months, beginning in the fourth quarter of 2006.

*Impairment of assets.* In 2007, we recorded a net impairment charge of \$19.1 million representing a write down on our first-generation phone and accessory inventory. This charge was taken after our assessment of inventory quantities and recent and projected equipment sales. The asset impairment charge in 2006 was \$1.9 million.

*Operating Income (Loss).* Operating income decreased \$40.3 million, to an operating loss of \$24.6 million for the year ended December 31, 2007, from operating income of \$15.7 million for 2006. The decrease was due to the asset impairment charge described above and lower service and subscriber equipment revenues partially offset by lower cost of equipment sales.

*Interest Income.* Interest income increased by \$2.0 million to \$3.2 million for the year ended December 31, 2007, from \$1.2 million for the same period in 2006. This increase was due to increased average cash balances on hand.

*Interest Expense.* Interest expense increased by \$8.4 million, to \$9.0 million for the year ended December 31, 2007 from \$0.6 million for 2006. This increase was due primarily to the expensing of our

deferred debt issuance costs of \$8.1 million as a result of Thermo Funding assuming all of the obligations of the administrative agent and the lenders under our credit agreement with Wachovia Investment Holdings, LLC and the other lenders parties thereto.

*Interest Rate Derivative Loss.* For the year ended December 31, 2007, interest rate derivative loss was \$3.2 million compared to \$2.7 million in 2006. This increase was due to the decrease 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 increased by \$12.6 million for the year ended December 31, 2007 as compared to 2006 due to a favorable exchange rate on the Euro denominated escrow account during 2007.

*Income Tax Expense (Benefit).* Income tax expense for the year ended December 31, 2007 was \$2.9 million compared to a net income tax benefit of \$14.1 million during 2006. The change between periods was primarily a result of a \$21.4 million deferred tax benefit recorded on January 1, 2006 upon our election to be taxed as a C Corporation.

*Net Income (Loss).* Our net income decreased \$51.5 million to a loss of \$27.9 million for the year ended December 31, 2007, from net income of \$23.6 million for the year ended December 31, 2006. This decrease was due primarily to the \$19.1 million asset impairment charge related to our inventory recognized in 2007, the non-cash charges relating to the compensation and debt issuance costs discussed above, lower operating income in 2007 and the \$14.1 million net deferred tax benefit recognized in 2006.

Comparison of Results of Operations for the Years Ended December 31, 2006 and 2005

Statements of Operations	Year Ended December 31, 2006	Year Ended December 31, 2005	% Change
	(In thousands)		
<b>Revenue:</b>			
Service revenue	\$ 92,037	\$ 81,472	13.0
Subscriber equipment sales(1)	44,634	45,675	(2.3)
Total Revenue	136,671	127,147	7.5
<b>Operating Expenses:</b>			
Cost of services (exclusive of depreciation and amortization shown separately below)	28,091	25,432	10.5
Cost of subscriber equipment sales(2)	40,396	38,742	4.3
Marketing, general and administrative	43,899	37,945	15.7
Depreciation and amortization	6,679	3,044	119.4
Impairment of assets	1,943	114	1604.4
Total Operating Expenses	121,008	105,277	14.9
<b>Operating Income</b>	15,663	21,870	(28.4)
Interest income	1,172	242	384.3
Interest expense(3)	(587)	(269)	118.2
Interest rate derivative loss	(2,716)	—	N/A
Other income (expense), net	(3,980)	(622)	539.9
<b>Income Before Income Taxes</b>	9,552	21,221	(55.0)
Income tax expense (benefit)	(14,071)	2,502	N/A
<b>Net Income</b>	\$ 23,623	\$ 18,719	26.2

(1) Includes related party amount of \$3,423 and \$440 for the year ended December 31, 2006 and 2005, respectively.

(2) Includes related party amount of \$3,041 and \$314 for the year ended December 31, 2006 and 2005, respectively.

(3) Includes related party amounts of \$176 for the year ended December 31, 2005.

**Revenue.** Total revenue increased \$9.6 million, or approximately 7.5%, to \$136.7 million for the year ended December 31, 2006 from \$127.1 million for the prior year. This increase was due principally to the growth in service revenue related to the additional approximately 67,000 net subscribers we added during the year ended December 31, 2006. Our average monthly retail revenue per user during the year ended December 31, 2006 decreased by 13.5% to \$58.91 from \$68.10 during the year ended December 31, 2005. This decline resulted from the rapid acceptance of our annual plans, which were first introduced broadly in the second quarter of 2005 and which allow subscribers to pay for a year of service in advance. These pricing plans were extensively purchased. Annual plans reduce current period revenue because revenue is not recognized until minutes are used or expire. Unused minutes are recognized as revenue at the expiration of a plan. Subscribers generally do not use all of the minutes for which they have paid. Average monthly subscriber churn decreased to 1.1% for the year ended December 31, 2006 compared to 1.3% in the year ended December 31, 2005.

**Service Revenue.** Service revenue for the year ended December 31, 2006 increased \$10.5 million, or approximately 13.0%, to \$92.0 million from \$81.5 million for 2005. This increase was driven by our

approximate 67,000 net subscriber growth from December 31, 2005 to December 31, 2006 and increased usage of minutes related to the higher number of subscribers.

**Subscriber Equipment Sales.** Subscriber equipment sales decreased by \$1.1 million, or approximately 2.3%, to \$44.6 million for the year ended December 31, 2006, compared to \$45.7 million for 2005. Sales in the year ended December 31, 2005 reflected substantial buying in response to hurricane Katrina.

**Operating Expenses.** Total operating expenses increased \$15.7 million to \$121.0 million, or approximately 14.9%, for the year ended December 31, 2006, compared to \$105.3 million for 2005. This increase was due primarily to higher cost of services, cost of subscriber equipment, higher management, general and depreciation expenses and higher depreciation and amortization expenses in 2006.

**Cost of Services.** Cost of services increased by \$2.7 million, or approximately 10.5%, to \$28.1 million for the year ended December 31, 2006, compared to \$25.4 million for 2005. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase was primarily a result of additional costs associated with adding the Alaska and Central American gateways to our network. Cost of services includes non-cash stock compensation expense of \$0.6 million.

**Cost of Subscriber Equipment Sales.** Cost of subscriber equipment sales increased by \$1.7 million, or approximately 4.3%, to \$40.4 million for the year ended December 31, 2006, compared to \$38.7 million for 2005. This increase was a result of the sale of lower margin equipment in 2006 compared to 2005.

**Marketing, General and Administrative.** Marketing, general and administrative expenses increased by \$6.0 million, or approximately 15.7%, to \$43.9 million for the year ended December 31, 2006, compared to \$37.9 million for 2005. This increase in marketing, general and administrative expenses was primarily a result of allowance for bad debt for certain customer receivables at December 31, 2006, higher headcount and increased professional fees related to strengthening our internal control over financial reporting and preparing for compliance with Section 404 of the Sarbanes-Oxley Act by December 31, 2007 and to additional costs related to the consolidation of our Central American independent gateway operation. Marketing, General and Administrative costs include non-cash compensation expense of \$0.5 million.

**Depreciation and Amortization.** Depreciation and amortization expense increased \$3.7 million, or approximately 119.4%, to \$6.7 million for the year ended December 31, 2006 from \$3.0 million for 2005. This increase was due primarily to the depreciation expense associated with our Sebring, Florida gateway, which became operational in July 2005, our Alaskan gateway, which became operational in June 2006, and our gateway in Central America, which was acquired in January 2006.

**Impairment of Assets.** Impairment of assets increased \$1.8 million to \$1.9 million for the year ended December 31, 2006 compared to \$0.1 million for 2005. This increase was due to a write-down of the excess quantities of our first generation product inventory.

**Operating Income.** Operating income decreased \$6.2 million, or approximately 28.4%, to \$15.7 million for the year ended December 31, 2006, from \$21.9 million for 2005. The decrease was due to an increase in our cost of services, marketing, general and administrative expenses and volume discounts on subscriber equipment sales. Our cost of services and marketing, general and administrative expenses increased \$8.7 million or 13.6% due to the allowance for bad debt for certain customer receivables at December 31, 2006, addition of gateways and increased headcount and professional fees.

**Interest Income.** Interest income increased \$0.9 million for the year ended December 31, 2006. This increase was due to increased cash balances on hand as a result of proceeds from our initial public offering and higher yields on those balances.

**Interest Expense.** Interest expense increased by \$0.3 million to \$0.6 million in the year ended December 31, 2006, compared to \$0.3 million in 2005. This increase resulted primarily from the amortization of deferred offering costs related to our credit facility.

**Interest Rate Derivative Loss.** For the year ended December 31, 2006, interest rate derivative loss consisted of a \$2.7 million change in the fair value of the interest rate swap agreement. In July 2006, in connection with entering into our credit agreement, which provides for interest at a variable rate, we entered into a five-year interest rate swap agreement to minimize the risk of variability in our borrowing costs over the term of our credit agreement. Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. The interest rate swap agreement does not qualify for hedge accounting and the changes in its fair value are recorded as "Interest rate derivative gain (loss)" over the life of the agreement.

**Other Income (Expense), net.** Other income (expense), net generally consists of foreign exchange transaction gains and losses. Other expense increased by \$3.4 million to \$4.0 million for the year ended December 31, 2006 as compared to \$0.6 million for 2005. The increase was primarily the result of large Euro denominated transactions related to the launch services contract with Starsem for our eight spare satellites that were launched in 2007.

**Income Tax Expense (Benefit).** For the year ended December 31, 2006, we had an income tax benefit of \$14.1 million. For the year ended December 31, 2005, we had an income tax expense of \$2.5 million. The \$16.6 million change was a result of a \$21.4 million deferred tax benefit associated with electing to be taxed as a C corporation as of January 1, 2006.

**Net Income.** Our net income increased \$4.9 million to \$23.6 million for the year ended December 31, 2006, from \$18.7 million for 2005. This increase resulted from recognition of a deferred tax benefit described above partially offset by a decrease in operating income.

## Liquidity and Capital Resources

The following table shows our cash flows from operating, investing and financing activities for the years ended December 31, 2007, 2006 and 2005:

Statements of Cash Flows	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
Net cash from (used in) operating activities	\$ (7,669)	\$ 14,571	\$ 13,694
Net cash from (used in) investing activities	(183,378)	(160,316)	(10,141)
Net cash from financing activities	193,489	170,601	2,899
Effect of exchange rate changes on cash	(8,586)	(1,428)	488
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (6,144)</b>	<b>\$ 23,428</b>	<b>\$ 6,940</b>

Currently, our principal sources of liquidity are our credit agreement with Thermo Funding and our existing cash and internally generated cash flow from operations.

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

- to make payments to procure our second-generation satellite constellation, construct the Control Network Facility and launch related costs, in a total amount not yet determined, but which will include approximately €152.4 million payable to Thales Alenia Space by December 2008 under the purchase contract for our second-generation satellites and €5.2 million payable to Thales Alenia Space by December 2008 under the contract for construction of the Control Network Facility, respectively;
- to fund our working capital (\$72.2 million at December 31, 2007, which our management believes is sufficient for our present requirements); and
- to fulfill cash escrow requirements under the Thales Alenia Space contract for procurement of our second-generation satellites approximating an additional €29.8 million (approximately \$43.9 million at €1.00 = \$1.4729) through December 31, 2008.

During the years ended December 31, 2007 and 2006, our principal sources of liquidity were:

Dollars in millions	Year Ended December 31, 2007	Year Ended December 31, 2006
Cash on-hand at beginning of period	\$ 43.7	\$ 20.3
Capital contributions by Thermo net	\$ —	\$ 13.0
Borrowings under Thermo Funding credit agreement	\$ 50.0	\$ —
Purchase of common stock by Thermo Funding	\$ 152.7	\$ 47.3
Proceeds of initial public offering, net	\$ —	\$ 116.6
Cash generated (used) by operations	\$ (7.7)	\$ 14.6

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

- borrowings under our credit agreement with Thermo Funding (of which the entire \$50.0 million related to the revolving credit facility was drawn at December 31, 2007 and the entire \$100.0 million related to the delayed draw term loan was undrawn at December 31, 2007 (we have subsequently drawn \$100.0 million of the delayed draw term loan during 2008.); and
- cash on hand (\$37.6 million at December 31, 2007).

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 any remaining funds available under our credit agreement, cash flow, which we expect will be generated primarily from sales of our Simplex products and services, including our new SPOT products and services, and the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds. We will require significant additional capital and currently have not obtained any commitment for such 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."

Our liquidity and our ability to fund these needs will depend to a significant extent on our future financial performance, which will be subject in part to general economic, financial, regulatory and other factors 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 the Company 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 the degradation of our current satellite constellation 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 provided by operating activities for the year ended December 31, 2007 decreased to a cash outflow of \$7.7 million from a cash inflow of \$14.6 million for 2006. This decrease was due primarily to lower revenues and lower inventory turnover during the year ended December 31, 2007 as compared to 2006.

#### ***Net Cash from Investing Activities***

Cash used in investing activities was \$183.4 million for the year ended December 31, 2007, compared to \$160.3 million for the same period in 2006. This increase was primarily the result of capital expenditures associated with construction expenses for our second-generation satellite constellation and the launches of our eight spare satellites in 2007.

#### ***Net Cash from Financing Activities***

Net cash provided by financing activities increased by \$22.9 million to \$193.5 million from \$170.6 million for the year ended December 31, 2007 as compared to the same period in 2006. The increase was primarily the result of \$152.7 million of equity purchased by Thermo Funding pursuant to its irrevocable standby stock purchase agreement and \$50.0 million drawn on the revolving credit agreement with Thermo Funding offset by \$116.6 million received as proceeds from our initial public offering in November, 2006 and \$47.3 million received pursuant to Thermo Funding's irrevocable standby stock purchase agreement during 2006.

#### ***Capital Expenditures***

Our capital expenditures consist primarily of upgrading our satellite constellation and gateways and other ground facilities. In 2005, we began construction of a new gateway in Wasilla, Alaska to cover the Alaskan territory and part of the Bering Sea. The Alaska gateway went into operation in July 2006. This gateway cost \$4.8 million (excluding \$0.8 million for the purchase of real property). We have begun construction of a gateway in Singapore at a total cost of approximately \$4.0 million. This gateway is expected to be fully operational in the second half of 2008.

In 2005, we also commenced capital expenditures for the launch of our eight spare satellites. In 2007 and 2006, we incurred \$37.6 million and \$84.0 million (excluding capitalized interest and internal costs), respectively, related to the launch of our eight spare satellites. The total cost for the launch of

the spare satellites was approximately \$124.0 million exclusive of capitalized interest and internal costs. As of December 31, 2007, substantially all related payments had been made.

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 €667.6 million (approximately \$953.1 million at a weighted average conversion rate of €1.00 = \$1.4276 at December 31, 2007, including approximately €146.3 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.294). We have made payments in the amount of approximately \$130.3 million in related costs through December 31, 2007. At our request, Thales Alenia Space has presented to us a four-part sequential plan to us 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 (\$9.9 million to \$19.7 million at €1.00 = \$1.4729). In 2007, we authorized the first two portions of this plan with an additional cost of €4.1 million (\$6.0 million at €1.00 = \$1.4729). We cannot assure you that any of 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 €9.0 million (approximately \$13.3 million at a conversion rate of €1.00 = \$1.4729) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 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 amount of approximately €2.9 million (approximately \$3.9 million) through December 31, 2007.

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 \$210.0 million. As of December 31, 2007, we have incurred \$10.5 million associated with the our launch services contract.

The total cost for the satellites and launches under these contracts with Thales Alenia Space and our Launch Provider are included in the estimated \$1.25 billion (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 and borrowings under our revolving credit facility to fund the approximately \$211.1 million (excluding internal costs and capitalized interest but including \$74.7 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 December 31, 2007. We expect to fund the balance of the capital expenditures through cash generated by our duplex voice and data services, new SPOT satellite messenger products and services and other Simplex devices and services, borrowings under our credit agreement with Thermo Funding, future debt financings, 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 products and services and other commercial factors. This funding may not be available to us on acceptable terms, or at all.

Contract	Currency of Payment	Payments through December 31, 2007	2008	2009	2010	Thereafter	Total
Thales Alenia Second Generation Constellation	EUR €	100.5 €	152.4 €	94.7 €	92.3 €	227.7 €	667.6
Thales Alenia Satellite Operations Control Centers	EUR €	2.9 €	5.2 €	0.9 €	0.0 €	0.0 €	9.0
Launch Services	USD \$	10.5 \$	31.5 \$	112.9 \$	55.1 \$	0.0 \$	210.0

The exchange rate at December 31, 2007 was €1.00 = \$1.4729. See "Quantitative and Qualitative Disclosures About Market Risk."

### Cash Position and Indebtedness

As of December 31, 2007, our total cash and cash equivalents were \$37.6 million and we had total indebtedness of \$50.0 million, compared to total cash and cash equivalents and total indebtedness at December 31, 2006 of \$43.7 million and \$0.7 million, respectively.

### 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. The delayed draw term loan may 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 December 31, 2007.

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 \$50.0 million under the revolving credit facility at December 31, 2007. The delayed draw term loan will bear interest at LIBOR plus 6.0% or the greater of the prime rate or the Federal Funds rate plus 5.0%, and 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. 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 15: Derivatives" of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Report. The loans may be prepaid without penalty at any time.

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 December 31, 2007, the negative value of the interest rate swap was approximately \$5.9 million and was classified as a non-current liability.

#### **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.

Pursuant to the agreement, Thermo Funding was required to purchase shares of our common stock (in minimum amounts of \$5.0 million) as necessary:

- to enable us to comply with the minimum liquidity and forward fixed charge coverage ratio tests of our credit agreement; or
- to cure a default in payment of regularly scheduled principal or interest under our credit agreement.

The agreement terminated on the earliest of December 31, 2011, our payment in full of all obligations under the credit agreement or Thermo Funding's purchase of all of the stock subject to its obligations under the agreement. Thermo Funding could elect at any time to purchase any unpurchased stock. Thermo Funding completed its purchase of all shares subject to the agreement on November 2, 2007. The following table sets forth information with respect to shares purchased by Thermo Funding pursuant to the agreement:

Date of Purchase	Number of Shares	Purchase Price (in millions)
June 30, 2006	927,840	\$ 15.0
December 5, 2006	2,000,000	32.3
February 5, 2007	1,500,000	24.3
April 30, 2007	1,546,073	25.0
May 9, 2007	618,429	10.0
July 31, 2007	2,164,502	35.0
September 7, 2007	1,236,858	20.0
September 27, 2007	1,607,916	26.0
November 2, 2007	769,518	12.4
<b>Total</b>	<b>12,371,136</b>	<b>\$ 200.0</b>

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 participate in the transactions contemplated by Thermo Funding's irrevocable standby stock purchase agreement on a pro rata basis on substantially the same terms as Thermo Funding, except that these stockholders will not be subject to the escrow requirements described above. 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***

During 2007, 2006 and 2005, we committed to purchase a total of \$191.2 million of mobile phones, services and other equipment under various commercial agreements with QUALCOMM. At December 31, 2007, we had a remaining commitment to purchase \$57.0 million of equipment from 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, additional capital from the issuance of equity or debt and funds generated by our operations.

On June 1, 2004, we entered into a master services agreement with Space Systems/Loral, Inc. providing for various services related to preparing our eight spare satellites for launch. Through December 31, 2007, we had authorized Space Systems/Loral, Inc. to spend up to approximately \$30.1 million related to this agreement and related task orders, and approximately \$28.2 million of those charges had been incurred. The agreement renews annually for up to 10 years unless terminated earlier. We may terminate the agreement upon 30-days notice and any task order upon 10-days notice. Upon termination, we must pay for any costs related to services performed through termination and the 10-day transition period thereafter. Those costs may not exceed the amount previously authorized by us. We or Space Systems/Loral may terminate the agreement upon any uncured material breach of the terms of the agreement or any task order.

Pursuant to a memorandum dated as of June 1, 2005, we agreed to provide supplemental incentive compensation to certain of our executive officers in the form of cash bonuses (the "Executive Incentive Compensation Plan") which, upon the fulfillment of certain conditions, may aggregate up to \$30.0 million. In both 2005 and 2006, we accrued \$1.6 million in compensation expense with respect to this plan. Approximately \$3.2 million was paid to the executive officers in January 2007 pursuant to this plan.

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.

On November 30, 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. The total contract price, including subsequent additions, will be approximately €667.6 million, (approximately \$953.1 million at a weighted average conversion rate of €1.00 = \$1.4276 at December 31, 2007 including approximately €146.3 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.294), subject to reduction by approximately €28.0 million (approximately \$41.2 million) if we elect to accelerate construction and delivery of the second batch of satellites. Of the €667.6 million, approximately €627.4 million (\$895.7 million) will be paid for the design, development and manufacture of the satellites and approximately €40.2 million (\$57.4 million) will be paid for launch and mission support services. We are also obligated to pay Thales Alenia Space up to \$75.0 million in bonus payments depending upon the fulfillment of various conditions, including our cumulative EBITDA exceeding certain projections, Thales Alenia Space's achievement of the specified delivery schedule and satisfactory operation of the satellites after delivery. The approximately €12.4 million (\$16.0 million) paid by us to Thales Alenia Space pursuant to an Authorization to Proceed dated October 5, 2006, as amended, was credited against payments to be made by us under the contract. We have established and maintain an escrow account with a commercial bank to secure our payment obligations under the contract, with the amount of the escrow account equal to approximately the next two quarterly payments required by the contract. The initial escrow deposit was €40.0 million. We and Thales Alenia Space entered into the escrow agreement on December 21, 2006. We obtained the consent of our lenders to establish the escrow account. Payments under the contract began in the fourth quarter of 2006 and will extend into the fourth quarter of 2013 unless we elect to accelerate the delivery of the second batch of satellites. The contract requires Thales Alenia Space to commence delivery of the satellites in the third quarter of 2009, with deliveries continuing until the third quarter of 2013, unless we elect to accelerate deliveries. If we elect to accelerate delivery of the second batch of satellites, it is contemplated that all of the satellites will be delivered by the third quarter of 2010. We have made payments in the amount of approximately €100.5 million (approximately \$130.3 million) through December 31, 2007 under this contract. At our request, Thales Alenia Space has presented a four-part sequential plan to us 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 (\$9.9 million to \$19.7 million at €1.00 = \$1.4729). In 2007, we authorized the first two portions of this plan with an additional cost of €4.1 million (\$6.0 million at €1.00 = \$1.4729). We cannot assure you that any of 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 €9.0 million (approximately \$13.3 million at a conversion rate of €1.00 = \$1.4729) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 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 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 we terminate the contract, we 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 sixty days of the due date, we 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 us 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. We have made payments in the amount of approximately €2.9 million (approximately \$3.9 million) through December 31, 2007.

On September 5, 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 \$210.0 million. The total cost for the launches under this contract is included in the estimated \$1.25 billion to procure and deploy our second-generation satellite constellation and related gateway upgrades. 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. As of December 31, 2007, we have incurred \$10.5 million associated with the launch services contract.

Long-term obligations at December 31, 2007, assuming the borrowing of \$100.0 million in delayed draw term loans under our credit agreement, are as follows:

**Payments due by period:**

Contractual Obligations:	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
	(In thousands)				
Long-term debt obligations(1)(2)	\$ —	\$ —	\$ 150,000	\$ —	\$ 150,000
Operating lease obligations	1,411	866	359	304	2,940
Purchase obligations	280,773	623,668	216,957	—	1,121,398
Pension obligations	767	2,374	1,900	3,213	8,254
<b>Total</b>	<b>\$ 282,951</b>	<b>\$ 626,908</b>	<b>\$ 369,216</b>	<b>\$ 3,517</b>	<b>\$ 1,282,592</b>

- (1) Does not include interest on debt obligations. Substantially all of our debt bears interest at a floating rate and, accordingly, we are unable to predict interest costs in future years. In addition, future interest costs will depend on the outstanding balance from time to time of the revolving credit facility under our credit agreement and the date on which we borrow the delayed draw term loan. See "Credit Agreement" above.
- (2) All of the indebtedness under our credit agreement may be accelerated by the lenders upon an event of default. See "—Liquidity and Capital Resources—Credit Agreement." Events of default under the credit agreement include default under certain covenants.

**Off-Balance Sheet Transactions**

We have no material off-balance sheet transactions.

## Recently Issued Accounting Pronouncements

See "Note 2: Summary of Accounting Policies" of the Consolidated Financial Statements in Part II, Item 8 of this Report.

### Item 7A. 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 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Contractual Obligations and Commitments," we have entered into a contract with Starsem to launch our eight spare satellites. We have also 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. All payments under the Starsem contract, and a substantial majority of the payments under the Thales Alenia Space agreements, are 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 15: Derivatives" of the Notes to Consolidated Financial Statements in Part II, Item 8 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 €505.4 million on December 31, 2007, would result in \$7.4 million of additional payments. See "Note 4: Property and Equipment" of the Consolidated Financial Statements in Part II, Item 8 of this Report.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders  
Globalstar, Inc.

We have audited the accompanying consolidated balance sheets of Globalstar, Inc. ("Globalstar") as of December 31, 2007 and 2006, and the related consolidated statements of income (loss), comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. We also have audited Globalstar's internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Globalstar's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Annual Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Globalstar as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Globalstar maintained, in all material respects, effective internal control

over financial reporting as of December 31, 2007, based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

As discussed in Note 9 to the accompanying consolidated financial statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*.

/s/ CROWE CHIZEK AND COMPANY LLP

Oak Brook, Illinois  
March 14, 2008

GLOBALSTAR, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	December 31,	
	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 37,554	\$ 43,698
Accounts receivable, net of allowance of \$4,177 (2007), and \$3,609 (2006)	12,399	19,543
Inventory	54,939	33,754
Advances for inventory	9,769	15,550
Deferred tax assets	1,257	1,495
Prepaid expenses and other current assets	3,262	2,512
<b>Total current assets</b>	<b>119,180</b>	<b>116,552</b>
Property and equipment:		
Spare satellites and launch costs	47,848	87,813
Second-generation satellites	147,998	26,328
Globalstar System, net	84,939	15,576
Other property and equipment, net	9,318	7,005
<b>Total property and equipment</b>	<b>290,103</b>	<b>136,722</b>
Other assets:		
Restricted cash	80,871	52,581
Deferred tax assets	20,303	18,763
Other assets, net	2,518	7,083
<b>Total assets</b>	<b>\$ 512,975</b>	<b>\$ 331,701</b>
<b>LIABILITIES AND OWNERSHIP EQUITY</b>		
Current liabilities:		
Notes payable, current portion	\$ —	\$ 285
Accounts payable	8,400	11,468
Accrued expenses	17,650	18,576
Payables to affiliates	1,487	6,019
Deferred revenue	19,396	23,368
<b>Total current liabilities</b>	<b>46,933</b>	<b>59,716</b>
Borrowings under revolving credit facility	50,000	—
Notes payable, net of current portion	—	417
Employee benefit obligations, net of current portion	1,779	2,079
Other non-current liabilities	8,719	3,843
<b>Total non-current liabilities</b>	<b>60,498</b>	<b>6,339</b>
Commitments and contingencies (Note 12)		
Redeemable common stock; 0 and 347,451 shares issued and outstanding at December 31, 2007 and 2006, respectively	—	4,949
Ownership equity:		
Preferred stock, \$0.0001 par value; 100,000,000 shares authorized, issued and outstanding—none	—	—
Common stock, \$0.0001 par value; 800,000,000 shares authorized, 83,692,904 and 72,544,543 shares issued and outstanding at December 31, 2007 and 2006, respectively	8	7
Additional paid-in capital	407,743	238,919
Accumulated other comprehensive income (loss)	3,411	(1,166)
Retained earnings (deficit)	(5,618)	22,937
<b>Total ownership equity</b>	<b>405,544</b>	<b>260,697</b>
<b>Total liabilities and ownership equity</b>	<b>\$ 512,975</b>	<b>\$ 331,701</b>

See notes to consolidated financial statements.

GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(In thousands, except share data)

	Year Ended December 31,		
	2007	2006	2005
<b>Revenue:</b>			
Service revenue	\$ 78,313	\$ 92,037	\$ 81,472
Subscriber equipment sales	20,085	44,634	45,675
<b>Total revenue</b>	<b>98,398</b>	<b>136,671</b>	<b>127,147</b>
<b>Operating expenses:</b>			
Cost of services (exclusive of depreciation and amortization shown separately below)	27,775	28,091	25,432
Cost of subscriber equipment sales	13,863	40,396	38,742
Marketing, general, and administrative	49,146	43,899	37,945
Depreciation and amortization	13,137	6,679	3,044
Impairment of assets	19,109	1,943	114
<b>Total operating expenses</b>	<b>123,030</b>	<b>121,008</b>	<b>105,277</b>
<b>Operating income (loss)</b>	<b>(24,632)</b>	<b>15,663</b>	<b>21,870</b>
<b>Other income (expense):</b>			
Interest income	3,170	1,172	242
Interest expense	(9,023)	(587)	(269)
Interest rate derivative loss	(3,232)	(2,716)	—
Other income (expense)	8,656	(3,980)	(622)
<b>Total other income (expense)</b>	<b>(429)</b>	<b>(6,111)</b>	<b>(649)</b>
<b>Income (loss) before income taxes</b>	<b>(25,061)</b>	<b>9,552</b>	<b>21,221</b>
Income tax expense (benefit)	2,864	(14,071)	2,502
<b>Net income (loss)</b>	<b>\$ (27,925)</b>	<b>\$ 23,623</b>	<b>\$ 18,719</b>
<b>Earnings (loss) per common share:</b>			
Basic	\$ (0.36)	\$ 0.37	\$ 0.30
Diluted	(0.36)	0.37	0.30
<b>Weighted-average shares outstanding:</b>			
Basic	77,169,138	63,709,763	61,855,668
Diluted	77,169,138	64,076,182	61,955,874
<b>Pro forma C Corporation data (unaudited):</b>			
Historical income before income taxes	N/A	N/A	\$ 21,221
Pro forma income tax expense	N/A	N/A	6,931
<b>Pro forma net income</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 14,290</b>
<b>Pro forma earnings per common share (unaudited):</b>			
Basic	N/A	N/A	\$ 0.23
Diluted	N/A	N/A	0.23

See notes to consolidated financial statements.

GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

	Year Ended December 31,		
	2007	2006	2005
Net income (loss)	\$ (27,925)	\$ 23,623	\$ 18,719
Other comprehensive income (loss):			
Minimum pension liability adjustment	402	524	(1,356)
Net foreign currency translation adjustment	4,175	194	538
Total comprehensive income (loss)	\$ (23,348)	\$ 24,341	\$ 17,901

See notes to consolidated financial statements.

GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF OWNERSHIP EQUITY

(In thousands, except share data)

	Member Interest Units Common Shares	Common Stock Amount	Additional Paid-In Capital	Member Interests Amount	Subscription Receivable	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balances—December 31, 2004	61,855,668		\$ —	\$ 54,487	\$ (13,000)	\$ (1,066)	\$ —	\$ 40,421
Member Interests Series A— 18,441,960								
Member Interests Series B— 4,154,400								
Member Interests Series C— 39,259,308								
Contribution of services				145	—	—		145
Redemption of minority interests				(100)	—	—		(100)
Contributions				63	—	—		63
Reclassification of subscription receivable (received in March 2006)				—	13,000	—		13,000
Other comprehensive loss				—	—	(818)		(818)
Net income				18,719	—	—		18,719
Balances—December 31, 2005	61,855,668			73,314	—	(1,884)		71,430
Member interests Series A— 18,441,960								
Member interests Series B— 4,154,400								
Member interests Series C— 39,259,308								
Recapitalization		6	73,308	(73,314)	—	—	—	—
Issuance of common stock upon initial public offering, net of related offering costs of \$10,854	7,500,000	1	116,645	—	—	—	—	116,646
Issuance of common stock in relation to the GAT acquisition	4,380	—	249	—	—	—	—	249
Conversion of Redeemable common stock related to GAT settlement	15,109	—	—	—	—	—	—	—
Issuance of restricted stock awards and recognition of stock-based compensation	241,546	—	1,185	—	—	—	—	1,185
Distribution payable to member	—	—	—	—	—	—	(686)	(686)
Contribution of services	—	—	189	—	—	—	—	189
Issuance of common stock in connection with Thermo agreement	2,927,840	—	47,343	—	—	—	—	47,343
Other comprehensive income	—	—	—	—	—	718	—	718
Net income	—	—	—	—	—	—	23,623	23,623
Balances—December 31, 2006	72,544,543	7	238,919	—	—	(1,166)	22,937	260,697
Issuance of common stock in connection with Thermo agreement	9,443,296	1	152,656	—	—	—	—	152,657
Issuance of restricted stock awards and recognition of stock-based compensation	1,178,227	—	10,430	—	—	—	—	10,430
Issuance of common stock related to GAT settlement (including interest)	153,916	—	123	—	—	—	—	123
Issuance of common stock related to GdeV acquisition	25,471	—	246	—	—	—	—	246
Contribution of services	—	—	420	—	—	—	—	420
Conversion of Redeemable common stock related to GAT settlement	347,451	—	4,949	—	—	—	—	4,949
Adoption of FIN 48	—	—	—	—	—	—	(630)	(630)
Other comprehensive income	—	—	—	—	—	4,577	—	4,577
Net income (loss)	—	—	—	—	—	—	(27,925)	(27,925)
Balances—December 31, 2007	83,692,904	\$ 8	\$ 407,743	\$ —	\$ —	\$ 3,411	\$ (5,618)	\$ 405,544

See notes to consolidated financial statements.

GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,		
	2007	2006	2005
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (27,925)	\$ 23,623	\$ 18,719
Adjustments to reconcile net income (loss) to net cash from operating activities:			
Deferred income taxes	(554)	(17,720)	2,422
Depreciation and amortization	13,137	6,679	3,044
Interest rate derivative loss	3,232	2,716	—
Stock-based compensation expense	9,570	1,185	—
Loss on disposal of fixed assets	198	51	—
Provision for bad debts	1,774	2,191	998
Interest income	(2,310)	—	—
Contribution of services	420	189	145
Amortization of deferred financing costs	8,109	294	—
Impairment of assets	19,109	1,943	114
Other non-cash gains	—	—	(100)
Interest on Note Payable	—	52	—
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	6,416	1,109	(15,915)
Inventory	(36,445)	(18,090)	(9,634)
Advances for inventory	7,912	(2,084)	(4,688)
Prepaid expenses and other current assets	(971)	(46)	(32)
Other assets	(44)	(1,242)	(293)
Receivables from affiliates	—	(43)	—
Accounts payable	2,494	(746)	3,044
Payables to affiliates	(5,075)	3,160	1,643
Accrued expenses and employee benefit obligations	(2,503)	2,277	2,088
Other non-current liabilities	(503)	195	1,896
Deferred revenue	(3,710)	8,878	10,243
	<u>(7,669)</u>	<u>14,571</u>	<u>13,694</u>
Net cash from (used in) operating activities			
	<u>(7,669)</u>	<u>14,571</u>	<u>13,694</u>
<b>Cash flows from investing activities:</b>			
Spare and second-generation satellites and launch costs	(165,377)	(103,185)	(2,066)
Property and equipment additions	(4,612)	(4,359)	(7,819)
Proceeds from sale of property and equipment	263	—	86
Payment for business acquisitions or investments	(1,657)	(191)	(342)
Restricted cash	(11,995)	(52,581)	—
	<u>(183,378)</u>	<u>(160,316)</u>	<u>(10,141)</u>
Net cash from (used in) investing activities			
	<u>(183,378)</u>	<u>(160,316)</u>	<u>(10,141)</u>
<b>Cash flows from financing activities:</b>			
Net proceeds from initial public offering	—	116,646	—
Proceeds from Thermo under the irrevocable standby stock purchase agreement	152,657	47,343	—
Borrowings under revolving credit facility	50,000	33,302	—
Repayment of revolving credit facility	—	(33,302)	—
Proceeds from subscription receivable	—	13,000	4,235
Payments on notes payable	(477)	(195)	(1,251)
Deferred financing cost payments	(2,503)	(5,507)	(48)
Distribution to Affiliate	—	(686)	—
Redemption of member interests	—	—	(100)
Proceeds from issuance of membership interests	—	—	63
Payments related to derivative margin account	(6,188)	—	—
	<u>193,489</u>	<u>170,601</u>	<u>2,899</u>
Net cash from financing activities			
	<u>193,489</u>	<u>170,601</u>	<u>2,899</u>
Effect of exchange rate changes on cash	(8,586)	(1,428)	488
Net increase (decrease) in cash and cash equivalents	(6,144)	23,428	6,940
Cash and cash equivalents, beginning of period	43,698	20,270	13,330
	<u>37,554</u>	<u>43,698</u>	<u>20,270</u>
Cash and cash equivalents, end of period			
	<u>\$ 37,554</u>	<u>\$ 43,698</u>	<u>\$ 20,270</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for:			
Interest	\$ 3,526	\$ 1,271	\$ 289
Income taxes	\$ 173	\$ 2,701	\$ 184
<b>Supplemental disclosure of noncash financing and investing activities:</b>			
Receivables offset by accounts payable and notes payable	—	—	\$ 2,675
Reclassification of subscription receivable	—	—	\$ 13,000
Accrued launch costs and second-generation satellites	\$ 3,583	\$ 7,944	—
Capitalization of interest for spare and second-generation satellites and launch costs	\$ 196	\$ 884	—
Issuance of redeemable common stock in conjunction with acquisition	—	\$ 5,198	—
Conversion of redeemable common stock to common stock	\$ (4,949)	(249)	—
		<u>\$ 4,949</u>	
Issuance of stock in relation to GdeV acquisition	\$ 246		

See notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

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. ("Thermo") became Globalstar's principal owner, and Globalstar completed the acquisition of the business and assets of Old Globalstar.

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Use of Estimates in Preparation of Financial Statements*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates. Certain reclassifications have been made to prior year consolidated financial statements to conform to current year presentation.

*Principles of Consolidation*

The consolidated financial statements include the accounts of Globalstar and all its subsidiaries. All significant inter-company transactions and balances have been eliminated in the consolidation.

During 2005 and from January 1 through October 17, 2006, one subsidiary was 75% owned by Globalstar and 25% owned by minority interests (Loral). On October 17, 2006, a \$500,000 payment was made to acquire the 25% minority interest and to resolve then pending litigation with the owner of the minority interest.

*Cash and Cash Equivalents*

Cash and cash equivalents consist of cash on hand and highly liquid investments with original maturities of three months or less.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Restricted Cash*

Restricted cash is comprised of funds held in escrow by a financial institution to secure the Company's payment obligations related to its contract for the construction of its second-generation satellite constellation and cash equal to the negative value of the interest rate swap agreement.

*Fair Value of Financial Instruments*

The carrying amounts of financial instruments approximate fair value due to the short maturities of these instruments. The Company has no material off-balance sheet financial instruments.

*Concentration of Credit Risk*

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and restricted cash. Cash and cash equivalents and restricted cash consist primarily of highly liquid short-term investments deposited with financial institutions that are of high credit quality.

*Accounts Receivable*

Accounts receivable are uncollateralized and consist primarily of on-going service revenue and equipment receivables. The Company performs ongoing credit evaluations of its customers and records specific allowances for bad debts based on factors such as current trends, the length of time the receivables are past due and historical collection experience. Accounts receivable are considered past due in accordance with the contractual terms of the arrangements. Accounts receivable balances that are determined likely to be uncollectible are included in the allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance.

The following is a summary of the activity in the allowance for doubtful accounts (in thousands):

	Year Ended December 31,		
	2007	2006	2005
Balance at beginning of period	\$ 3,609	\$ 1,774	\$ 1,187
Provision, net of recoveries	1,774	2,191	998
Write-offs	(1,206)	(356)	(411)
Balance at end of period	\$ 4,177	\$ 3,609	\$ 1,774

*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 value. Cost is computed using the first-in, first-out (FIFO) method which determines the acquisition cost on a FIFO basis. Inventory allowances are recorded for inventories with a lower market value or which are slow moving. Unsaleable inventory is written off. During the year ended December 31, 2007, the Company recorded a \$19.1 million impairment charge on its inventory representing a write-down of its first generation phone and accessory inventory. This charge was recognized after assessment of the Company's inventory quantities and its recent and projected equipment sales.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

*Property and Equipment*

Property and equipment is stated at acquisition cost, less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, as follows:

Globalstar System:	
Space segment	Up to periods of 9 years from commencement of service
Ground segment	Up to periods of 9 years from commencement of service
Furniture, fixtures & equipment	3 to 10 years
Leasehold improvements	Shorter of lease term or the estimated useful lives of the improvements, generally 5 years

Effective October 1, 2006, the Company reduced the estimated remaining lives for the Globalstar System assets from 39 months to 27 months due to the uncertainties about their remaining useful lives. This resulted in the Company recording \$0.6 million of additional depreciation expense during the fourth quarter of 2006.

The Globalstar System includes costs for the design, manufacture, test, and launch of a constellation of low earth orbit satellites, including in-orbit spare satellites (the "Space Segment"), and primary and backup control centers and gateways (the "Ground Segment").

Losses from the in-orbit failure of a satellite are recorded in the period it is determined that the satellite is not recoverable.

The carrying value of the Globalstar System 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. Globalstar looks to current and future undiscounted cash flows, excluding financing costs, as primary indicators of recoverability. If impairment is determined to exist, any related impairment loss is calculated based on fair value.

The Globalstar System includes costs for the design, manufacture, test, and launch of a constellation of low earth orbit satellites, including satellites put into service which were previously recorded as spare satellites and held as ground spares until the Company launched four satellites each in May and October 2007; as each of these satellites are put into service, the Company will incorporate the costs related to the satellite into the Globalstar System and depreciate the costs for each particular satellite over an estimated life of eight years from the date it was placed into service.

The spare satellites and launch costs include costs that are considered construction-in-progress and will be transferred to Globalstar System when placed into service.

*Deferred Financing Costs*

These costs represent costs incurred in obtaining long-term credit facilities. These costs are classified as long-term other assets and are amortized as additional interest expense over the term of the credit facilities. As of December 31, 2007 and 2006, the Company had gross deferred financing costs related to the credit facilities of \$0.1 million and \$6.1 million, respectively. The Company incurred

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

an additional \$2.1 million in financing costs during 2007. Approximately \$8.1 million and \$0.3 million of deferred financing costs were recorded as interest expense for the years ended December 31, 2007 and 2006, respectively. In December 2007, upon assignment of the amended and restated credit agreement with Wachovia Investment Holdings, LLC, as the administrative agent, to Thermo Funding Company LLC, the Company classified all costs associated with the credit agreement to interest expense.

*Asset Retirement Obligation*

In accordance with Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement Obligations," the Company capitalized, as part of the carrying amount, the estimated costs associated with the retirement of three gateways owned by the Company. As of December 31, 2007 and 2006, the Company had accrued approximately \$710,000 and \$450,000, respectively, for asset retirement obligations. The Company believes this estimate will be sufficient to satisfy the Company's obligation under leases to remove the gateway equipment and restore the sites to their original condition.

*Revenue Recognition and Deferred Revenues*

Customer activation fees are deferred and recognized over four to five year periods, which approximates the estimated average life of the customer relationship. The Company periodically evaluates the estimated customer relationship life. Historically, changes in the estimated life have not been material to the Company's 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 certain 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, the Company offers other annual plans whereby the customer is charged an annual fee to access our system. These fees are recognized on a straight-line basis over the term of the plan. In some cases, the Company charges a per minute rate whereby it recognizes the revenue when each minute is used.

Occasionally the Company has 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.

The Company also provides 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. During 2007, 2006 and 2005, the Company recorded engineering services revenues of \$2.5 million, \$2.1 million and \$3.5 million, respectively, and related costs of \$0.7 million, \$1.4 million and \$1.7 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company introduced annual plans (sometimes called Liberty plans) in August 2004 on a limited basis and introduced broadly 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 the Company's revenues. Under its revenue recognition policy for annual plans, the Company defers 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 the Company's customers have not used all the minutes that are available to them which has caused the Company to defer large amounts of service revenue. At December 31, 2007 and 2006, Company's deferred revenue aggregated approximately \$20.4 million (of which \$1.0 million was included in non-current liabilities) and \$23.4 million, respectively. Accordingly, significant revenues from 2006 purchases of annual plans were recognized during 2007 as the minutes were used or expired.

During the second quarter of 2007, the Company 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 or annual fee. The unlimited loyalty plan incorporates a declining price schedule that reduces 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 a discounted fixed price. The Company records revenue for this plan on a monthly basis based on a straight line average derived by computing the total fees charged over the term of the customer agreement (including the optional year) 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.

The Company owns and operates its satellite constellation and earns a portion of its 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 customers of independent gateway operators and contractual fee arrangements. Where collection is uncertain, revenue is recognized when cash payment is received.

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.

The Company records sales and use tax and other taxes collected from its customers are not included in revenue.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Research and Development Expenses*

Research and development costs were \$2.9 million, \$2.3 million and \$2.4 million for the years ended December 31, 2007, 2006 and 2005, respectively, and are expensed as incurred as part of marketing, general and administrative expenses.

*Advertising Expenses*

Advertising expenses were \$1.5 million, \$0.9 million and \$0.7 million for the years ended December 31, 2007, 2006 and 2005, respectively, and are expensed as incurred as part of marketing, general and administrative expenses.

*Foreign Currency*

Foreign currency assets and liabilities are remeasured into U.S. dollars at current exchange rates and revenue and expenses are translated at the average exchange rates in effect during each period. For the years ended December 31, 2007, 2006 and 2005, the foreign currency translation adjustments were \$4.2 million, \$0.2 million and \$0.5 million, respectively.

Foreign currency transaction gains and (losses) are included in net income. Foreign currency transaction gains (losses) were \$8.2 million, (\$4.0) million and (\$0.7) million for the years ended December 31, 2007, 2006 and 2005, respectively. These were classified as other income or expense on the statement of operations.

*Income Taxes*

Until January 1, 2006, Globalstar was treated as a partnership for U.S. tax purposes (Notes 9 and 13). Generally, taxable income or loss, deductions and credits of the Company were passed through to its members. Effective January 1, 2006, Globalstar and its U.S. operating subsidiaries elected to be taxed as a corporation in the United States and began accounting for these entities under SFAS 109. Prior to January 1, 2006, Globalstar did have some corporate subsidiaries that require a tax provision or benefit using the asset and liability method of accounting for income taxes as prescribed by SFAS No. 109, "Accounting for Income Taxes." As of December 31, 2007 and 2006, the corporate subsidiaries had gross deferred tax assets of approximately \$217.6 million and \$209.1 million, respectively. A valuation reserve was set up to reserve \$122.4 million and \$188.8 million as of December 31, 2007 and 2006, respectively, due to the Company's concern over it being more likely than not that it may not utilize those deferred tax assets. On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). See Note 9 to the consolidated financial statements for the impact of this adoption on the Company's financial statements.

*Stock-Based Compensation*

Effective January 1, 2006, as a result of its initial public offering, the Company adopted the provisions of Statement of Financial Accounting Standards No. 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 has not restated its prior period results. Among other things, SFAS 123(R) requires that compensation expense be recognized in the financial

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

statements for both employee and non-employee share-based awards based on the grant date fair value of those awards. At January 1, 2006, the option of one board member to purchase up to 120,000 shares of common stock at \$2.67 per share was the Company's only outstanding equity option award. Compensation costs related to the remaining portion of this award for which the requisite service had not been rendered was insignificant. Therefore, the adoption of SFAS 123(R) did not have a significant impact on the Company's financial position or results of operations.

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.

Prior to January 1, 2006, the Company accounted for our stock-based compensation plans in accordance with APB 25 and related interpretations. Accordingly, compensation expense for a stock option grant was recognized only if the exercise price was less than the market value of the Company's common stock on the grant date.

*Segments*

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 No. 131, "Disclosures About Segments of an Enterprise and Related Information," or SFAS No. 131, is included in the consolidated financial statements.

*Derivative Instruments*

The Company utilizes derivative instruments in the form of an interest rate swap agreement and a forward contract for purchasing foreign currency to minimize its risk from interest rate fluctuations related to its variable rate credit agreement and minimize its risk from fluctuations related to the foreign currency exchange rates, respectively. The interest rate swap agreement and the forward foreign contract are used to manage risk and are not used for trading or other speculative purposes. Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. The interest rate swap agreement and the forward foreign currency contract did not qualify for hedge accounting treatment. Changes in the fair value of the interest rate swap agreement and the forward foreign currency contract are recognized as "Interest rate derivative gain (loss)" and "Other income," respectively, over the life of the agreements.

*Comprehensive Income (Loss)*

In accordance with SFAS No. 130, "Reporting Comprehensive Income," all components of comprehensive income (loss), including unrealized gains and losses on investment securities and foreign currency translation adjustment, are reported in the financial statements in the period in which they are recognized. Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Pro Forma C-Corporation Data and Pro Forma Earnings Per Common Share (unaudited)*

Pro forma C-Corporation net income and pro forma earnings per share for the year ended December 31, 2005 has been calculated as if the Company had been a C corporation for federal income tax purposes (Notes 9 and 13).

*Recently Issued Accounting Pronouncements*

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that the Company recognize in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. On January 1, 2007, the Company adopted FIN 48. See Note 9 for the impact of this adoption on the Company's financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which clarifies the definition of fair value, establishes guidelines for measuring fair value, and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements and eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 will be effective for the Company on January 1, 2008. However, on February 12, 2008, the FASB approved FSP FAS 157-b which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial 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 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. The Company is currently evaluating the impact of adopting SFAS 157 on its financial position, cash flows, and results of operations.

Also in September 2006, the FASB released Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)" ("SFAS No. 158"). Under the new standard, companies must recognize a net liability or asset to report the funded status of their defined benefit pension and other postretirement benefit plans on their balance sheets. The Company adopted the recognition and disclosure provisions of SFAS No. 158 on December 31, 2006 and this adoption had no impact on its results of operation. Additionally, SFAS No. 158 requires companies to measure plan assets and obligations at their year-end balance sheet date. This requirement is not effective until December 31, 2008. The Company adopted the measurement requirements of SFAS No. 158 on December 31, 2007. Plan assets and obligations are measured as of December 31, 2007, the Company's year end, and adopting the measurement requirements of SFAS No. 158 did not have any material impact on its financial position and results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141R, "Business Combinations" ("SFAS No. 141R"). SFAS No. 141R amends SFAS 141 and provides revised guidance for recognizing and measuring identifiable assets and goodwill acquired, liabilities assumed, and any noncontrolling interest in the acquiree. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. It is effective for fiscal years beginning on or after December 15, 2008 and will be applied prospectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Company is currently evaluating the impact of adopting SFAS No. 141R on its consolidated financial statements.

In February 2007, the Financial Accounting Standards Board 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. The adoption of SFAS No. 159 is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS No. 160"). SFAS No. 160 requires that ownership interests in subsidiaries held by parties other than the parent, and the amount of consolidated net income, be clearly identified, labeled, and presented in the consolidated financial statements. It also requires once a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. Sufficient disclosures are required to clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. It is effective for fiscal years beginning on or after December 15, 2008 and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements shall be applied prospectively. The Company is currently evaluating the impact of adopting SFAS No. 160 on our consolidated financial statements.

**3. ACQUISITIONS***Globalstar de Venezuela, C.A. ("GdeV")*

Pursuant to Globalstar's continuing consolidation strategy and to enhance its presence in South America, on February 4, 2005, GdeV, an indirect (through Globalstar Canada Satellite Company "GCSC") subsidiary of Globalstar, executed a series of agreements to acquire the mobile satellite services business assets of TE.SA.M. de Venezuela, C.A. ("TESAM"), the Globalstar service provider in Venezuela, at a cost of \$1.6 million. This asset purchase was completed in two stages. The first stage, which transferred certain nonregulated assets, including the land where the Venezuelan gateway is located, was completed upon the execution of the agreements.

The second stage of the transaction, which transferred regulated assets including the gateway equipment, was completed after the Venezuelan regulatory consents were obtained in 2007. Management determined that operational control passed to New Globalstar with the completion of the first stage of the transaction in February 2005. Pursuant to the purchase agreements, GdeV paid approximately \$342,000 upon execution of the agreements. The \$1,250,000 balance of the purchase price is payable in sixteen quarterly installments of \$78,125 (interest imputed at 7.0% resulting in a discount of approximately \$250,000). Only the first two of these sixteen quarterly installments were required in advance of Venezuelan regulatory approvals. Principal and interest payments made in 2007 and 2006 were \$820,000 and \$195,000, respectively. In exchange for the principal amounts outstanding of approximately \$246,000, the Company issued approximately 25,471 shares of its Common Stock in

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. ACQUISITIONS (Continued)

December 2007. As of December 31, 2007, there were no outstanding amounts associated with this acquisition.

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

	February 4, 2005
Current assets	\$ 82
Property and equipment	1,314
<b>Total assets acquired</b>	<b>1,396</b>
Current liabilities	367
Long-term debt	687
<b>Total liabilities assumed</b>	<b>1,054</b>
<b>Net assets acquired</b>	<b>\$ 342</b>

The results of operations of GdeV have been included in the Company's consolidated financial statements from the date of acquisition.

*Globalstar Americas Telecommunications, Ltd*

Effective January 1, 2006, the Company consummated an agreement dated December 30, 2005 to purchase all of the issued and outstanding stock of the Globalstar Americas Holding ("GAH"), Globalstar Americas Telecommunications ("GAT"), and Astral Technologies Investment Limited ("Astral"), collectively, the "GA Companies." The GA Companies owned assets, contract rights, and licenses necessary and sufficient to operate a satellite communications business in Panama, Nicaragua, Honduras, El Salvador, Guatemala, and Belize (collectively, the "Territory"). The Company believes the purchase of the GA Companies will further enhance Globalstar's presence and coverage in Central America and consolidation efforts. The purchase price for the GA Companies was \$5,250,500 payable substantially 100% in Globalstar Common Stock. Additionally, the Company had a \$1.0 million receivable from GA Companies as of the acquisition date that was treated as a component to the total purchase price. At the time of closing of the purchase of the GA Companies, the selling stockholders received 91,986 membership units, which subsequently were converted into the same number of shares of Common Stock of the Company (See Notes 9 and 13).

Under the terms of the acquisition agreement, the Company was obligated either to redeem the original stock issued to the selling stockholders in January 2006 for \$5.2 million in cash or to pay the selling stockholders, in cash or in stock, the difference between \$5.2 million and the market value of that stock multiplied by the 5-day average closing price of the Company stock for the period ending November 22, 2006. In accordance with the supplemental agreement dated December 21, 2006 with certain selling stockholders, the Company elected to make payment in Common Stock and issued approximately 259,845 shares of additional Common Stock to certain selling stockholders. Under this supplemental agreement this stock was valued at approximately \$3.7 million. However, it was not registered and therefore was not marketable. Accordingly, this supplemental agreement also provided that, in order to compensate the selling stockholders for the inability to sell these shares, every month

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 3. ACQUISITIONS (Continued)

the Company paid interest on \$3.7 million at the monthly New York prime rate until these shares become marketable, but not later than December 31, 2007. In accordance with the supplemental agreement, if the market value of the approximately 259,845 shares issued was less than \$3.7 million at the time of registration or December 22, 2007, whichever was sooner, the Company was required to pay to these selling shareholders the difference between the market value and \$3.7 million. On December 17, 2007, the Company issued 153,916 shares of the Common Stock valued at approximately \$1.5 million at a price of \$9.675 per share as compensation to satisfy the shortfall in the value of shares issued as well as in lieu of cash interest for 2007.

As of December 31, 2007 and 2006, no shares and 347,451 shares of redeemable Common Stock were outstanding, respectively.

During December 2006, the Company reached a settlement with the remaining selling stockholder and issued 15,109 shares of Common Stock to such stockholder. The 15,109 shares issued during December 2006 and the original 4,380 shares issued in January 2006 to this selling stockholder were not considered redeemable as of December 31, 2006.

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

	<u>January 1, 2006</u>
Current assets	\$ 329
Property and equipment	6,655
Intangible assets	100
	<u>7,084</u>
Total assets acquired	7,084
	<u>409</u>
Current liabilities	409
Long-term debt	287
	<u>696</u>
Total liabilities assumed	696
	<u>\$ 6,388</u>
Net assets acquired	\$ 6,388

The results of operations of the GA Companies have been included in the Company's consolidated financial statements from January 1, 2006. The Company's pro forma results of operations assuming the transaction had been completed on January 1, 2005 are not material.

In December, 2007, the Company entered into an agreement to acquire an independent operator that owns three satellite gateway ground stations in Brazil for \$6.5 million. The purchase will be paid for primarily in Common Stock of the Company. The acquisition will allow the Company to supply mobile satellite voice and data services to all of Brazil and areas off the country's east coast.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 4. PROPERTY AND EQUIPMENT

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

	December 31,	
	2007	2006
Globalstar System:		
Space segment	\$ 85,142	\$ 5,832
Ground segment	21,530	21,033
Spare satellites and launch costs	47,848	87,813
Second-generation satellites	147,998	26,328
Construction in progress	1,132	16
Land	1,994	2,089
Leasehold improvements	717	1,477
Building	484	484
Furniture and office equipment	14,417	9,631
	<u>321,262</u>	<u>154,703</u>
Accumulated depreciation	(31,159)	(17,981)
	<u>\$ 290,103</u>	<u>\$ 136,722</u>

Property and equipment consists of an in-orbit satellite constellation, ground equipment, spare satellites and launch costs, second-generation satellites 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 €667.6 million (approximately \$953.1 million at a weighted average conversion rate of €1.00 = \$1.4276 at December 31, 2007) including approximately €146.3 million which will be paid by the Company in U.S. dollars at a fixed conversion rate of €1.00 = \$1.294. 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 December 31, 2007, \$74.7 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 which the Company escrows to support this contract are not available for other corporate purposes. At the Company's request, Thales Alenia Space has presented a four-part sequential 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 (\$9.9 million to \$19.7 million at € 1.00 = \$1.4729). In 2007, the Company authorized the first two portions of this plan with an additional cost of €4.1 million (\$6.0 million at €1.00 = \$1.4729). The Company cannot assure that any of the remaining acceleration will occur.

As of December 31, 2007, capitalized interest recorded was \$1.1 million. Interest capitalized during the years ended December 31, 2007 and 2006 was \$0.2 million and \$0.9 million, respectively. There was no interest capitalized in 2005. Depreciation expense for the years ended December 31, 2007, 2006 and 2005 was \$12.9 million, \$6.6 million and \$3.0 million, respectively.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**4. PROPERTY AND EQUIPMENT (Continued)**

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 €9.0 million (approximately \$13.3 million at a conversion rate of €1.00 = \$1.4729) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 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.

On September 5, 2007, the Company and Arianespace 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, Arianespace will make four launches of six satellites each, and the Company has the option to require Arianespace to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.0 million. 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 Arianespace. 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 the Company or Arianespace may result in adjustments to the payment schedule.

To augment its existing satellite constellation, the Company successfully launched its 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 ground spare satellites remaining to be launched. As of December 31, 2007, five of the eight satellites had been placed into service and were handling call traffic. The remaining three satellites are being placed into their desired orbital plane.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 5. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 31,	
	2007	2006
Accrued compensation and benefits	\$ 2,443	\$ 5,757
Accrued property and other taxes	4,894	3,176
Customer deposits	3,458	2,841
Accrued Second-Generation construction and spare satellite launch costs	1,563	51
Accrued professional fees	1,066	1,493
Accrued Telecom	300	342
Warranty reserve	235	879
Accrued commissions	216	610
Commitment fees related to delayed draw term loan and revolving credit facility	83	731
Other accrued expenses	3,392	2,696
	\$ 17,650	\$ 18,576

Other accrued expenses primarily include outsourced logistics services, storage, maintenance, and roaming charges.

Warranty terms extend from 90 days on equipment accessories to one year for fixed and mobile user terminals. Warranties are accounted for in accordance with SFAS No. 5, "Accounting for Contingencies," such that an accrual is made when it is estimable and probable that a loss has been incurred based on historical experience. Warranty costs are accrued based on historical trends in warranty charges as a percentage of gross product shipments. A provision for estimated future warranty costs is recorded as cost of sales when products are shipped. The resulting accrual is reviewed regularly and periodically adjusted to reflect changes in warranty cost estimates. The following is a summary of the activity in the warranty reserve account (in thousands):

	Year Ended December 31,		
	2007	2006	2005
Balance at beginning of period	\$ 879	\$ 977	\$ 568
Provision	(177)	1,153	1,031
Utilization	(467)	(1,251)	(622)
Balance at end of period	\$ 235	\$ 879	\$ 977

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 6. PAYABLES TO AFFILIATES

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

	December 31,	
	2007	2006
QUALCOMM	\$ 1,286	\$ 5,847
Thermo Capital Partners	201	172
	<u>\$ 1,487</u>	<u>\$ 6,019</u>

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the years ended December 31, 2007, 2006 and 2005, total expenses were approximately \$182,000, \$49,000 and 76,000, respectively. For the years ended December 31, 2007, 2006 and 2005, the Company also recorded \$420,000, \$189,000 and \$145,000, respectively, of non-cash expenses related to services provided by officers of Thermo and 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.

## 7. GLOBALSTAR FINANCING TRANSACTION

As required by the lender under the Company's credit agreement discussed below, the Company executed an agreement with Thermo Funding Company LLC ("Thermo Funding Company"), an affiliate of Thermo, 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 Company 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 Company also could elect to purchase the shares at any time. Minority stockholders of Globalstar as of June 15, 2006 who are 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 participate in this financing. No shares had been purchased by these minority shareholders as of December 31, 2007. The following table sets forth information with respect to shares purchased by Thermo Funding Company pursuant to the agreement through December 31, 2007:

Date of Purchase	Number of Shares	Purchase Price (in millions)
June 30, 2006	927,840	\$ 15.0
December 5, 2006	2,000,000	32.3
February 5, 2007	1,500,000	24.3
April 30, 2007	1,546,073	25.0
May 9, 2007	618,429	10.0
July 31, 2007	2,164,502	35.0
September 7, 2007	1,236,858	20.0
September 27, 2007	1,607,916	26.0
November 2, 2007	769,518	12.4
Total	<u>12,371,136</u>	<u>\$ 200.0</u>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 7. GLOBALSTAR FINANCING TRANSACTION (Continued)

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 Company 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. The delayed draw term loan may be drawn after January 1, 2008 and prior to August 16, 2009. Since January 1, 2008, the Company has 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 the Company 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 the Company and the administrative agent. The Company has 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 the Company is in pro-forma compliance with all of the financial covenants of the credit agreement.

The credit agreement limits the amount of the Company's capital expenditures, requires the Company to maintain minimum liquidity of \$5.0 million and provides that as of the end of the second full fiscal quarter after the Company places 24 of its second-generation satellites into service and at the end of each fiscal quarter thereafter, the Company must maintain a consolidated senior secured leverage ratio of not greater than 5.0 to 1.0. The Company was in compliance with the debt covenants at December 31, 2007.

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 Company had borrowings of \$50.0 million under the revolving credit facility at December 31, 2007. The delayed draw term loan will bear interest at LIBOR plus 6.0% or the greater of the prime rate or Federal Funds rate plus 5.0%, and the delayed draw term loan facility bears an annual commitment fee of 2.0% until drawn or terminated. Commitment fees incurred during 2007 and 2006 were \$2.3 million and \$1.0 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 loans, the Company entered into a five-year interest rate swap agreement. The loans may be prepaid without penalty at any time. The interest rate on the outstanding revolving credit loan was 9.4% at December 31, 2007.

Upon the assumption of the credit agreement by Thermo Funding Company, the interest rate swap agreement was amended requiring the Company to provide collateral in cash and securities equal to the negative value of the interest rate swap. At December 31, 2007, the negative value of the interest rate swap was approximately \$5.9 million and was classified as a non-current liability.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**8. PENSIONS AND OTHER EMPLOYEE BENEFITS***Pensions*

Until June 1, 2004, substantially all Old and New Globalstar employees and retirees who participated and/or met the vesting criteria for the plan were participants in the Retirement Plan of Space Systems/Loral (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 contributions, length of service with the Company and age of the participant. On June 1, 2004, the assets and frozen pension obligations of the Globalstar Segment of the Loral Plan 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. Globalstar's funding policy is to fund the Globalstar Plan in accordance with the Internal Revenue Code and regulations.

Components of the net periodic benefit cost of the Company's contributory defined benefit pension plan for the years ended December 31, were as follows (in thousands):

	2007	2006	2005
Interest cost	\$ 761	\$ 735	\$ 734
Expected return on plan assets	(802)	(697)	(599)
Actuarial loss, net	62	91	52
Net periodic benefit cost	\$ 21	\$ 129	\$ 187

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 8. PENSIONS AND OTHER EMPLOYEE BENEFITS (Continued)

As of the measurement date (December 31), the status of the Company's defined benefit pension plan was as follows (in thousands):

	2007	2006
Benefit obligation, beginning of year	\$ 13,366	\$ 13,665
Interest cost	761	735
Actuarial gain (loss)	(165)	(326)
Benefits paid	(779)	(708)
Benefit obligation, end of year	\$ 13,183	\$ 13,366
Fair value of plan assets, beginning of year	\$ 10,844	\$ 8,530
Actual return on plan assets	896	884
Employer contributions	443	2,138
Benefits paid	(779)	(708)
Fair value of plan assets, end of year	\$ 11,404	\$ 10,844
Funded status, end of year	\$ (1,779)	\$ (2,522)
Unrecognized net actuarial loss	1,664	1,985
Net amount recognized	(115)	\$ (537)
Amounts recognized on the balance sheet consist of:		
Accrued pension liability	\$ (1,779)	\$ (2,522)
Accumulated other comprehensive loss	1,664	1,985
Net amount recognized	\$ (115)	\$ (537)

At December 31, 2007, the fair value of plan assets less benefit obligation was recognized as a non-current liability on the Company's balance sheet in the amount of \$1.8 million.

The assumptions used to determine the benefit obligations at December 31 were as follows:

	2007	2006
Discount rate	6.00%	5.75%
Rate of compensation increase	N/A	N/A

The principal actuarial assumptions to determine net period benefit cost for the years ended December 31 were as follows:

	2007	2006	2005
Discount rate	5.75%	5.50%	5.75%
Expected rate of return on plan assets	7.50%	7.50%	7.50%
Rate of compensation increase	N/A	N/A	N/A

The assumptions, investment policies and strategies for the Globalstar Plan are determined by the Globalstar Plan Committee. Prior to June 1, 2004, the assumptions, investment policies and strategies for the Globalstar segment of the Loral Plan were determined by the Loral Plan Committee. The expected long-term rate of return on pension plan assets is selected by taking into account the expected duration of the projected benefit obligation for the plans, the asset mix of the plans and the fact that the plan assets are actively managed to mitigate risk.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**8. PENSIONS AND OTHER EMPLOYEE BENEFITS (Continued)**

The defined benefit pension plan asset allocation as of the measurement date (December 31) and the target asset allocation, presented as a percentage of total plan assets were as follows:

	2007	2006	Target Allocation
Debt securities	42%	45%	35%-50%
Equity securities	54%	54%	50%-60%
Other investments	4%	1%	0%-5%
Total	100%	100%	

The benefit payments to retirees are expected to be paid as follows (in thousands):

Years Ending December 31,	
2008	\$ 767
2009	778
2010	786
2011	810
2012	829
2013-2016	\$ 4,284

For the years ended December 31, 2007 and 2006, the Company contributed \$443,000 and \$2,138,000, respectively, to the Globalstar Plan. The Company expects to contribute a total of approximately \$769,000 to the Globalstar Plan in 2008.

*Other Employee Plans*

The Company has established various other employee benefit plans which include an employee incentive program and other employee/management incentive compensation plans. The employee/management compensation plans are based upon annual performance measures and other criteria. The total expenses related to these plans for the years ended December 31, 2007, 2006 and 2005 were \$9.6 million, \$3.6 million and \$2.0 million, respectively.

On August 1, 2001, Old Globalstar adopted a defined contribution employee savings plan, or "401(k)," which provided that Old Globalstar would match the contributions of participating employees up to a designated level. Prior to August 1, 2001, Old Globalstar's employees participated in the Loral 401(k) plan. This plan was continued by New Globalstar. Under this plan, the matching contributions were approximately \$341,000, \$437,000 and \$307,000 for 2007, 2006 and 2005, respectively.

**9. TAXES**

Prior to January 1, 2006, the Company and its U.S. operating subsidiaries were treated as partnerships for U.S. tax purposes. Generally, taxable income or loss, deductions and credits of the partnership were passed through to its partners. The Company does have significant foreign corporate subsidiaries that are taxable in their respective countries. There is also foreign withholding tax that is withheld on various income payments made to the Company.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 9. TAXES (Continued)

Effective January 1, 2006, the Company elected to be taxed as a C corporation in the United States. Under SFAS No. 109, when an enterprise changes its tax status from non-taxable to taxable, the effect of recognizing deferred tax assets and liabilities is included in income from continuing operations in the period of change. As a result, the Company recognized gross deferred tax assets of \$204.2 million and gross deferred tax liabilities 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 assets will not be realized. In evaluating the need for a valuation allowance, the Company takes into account various factors including the expected level of future taxable income and available tax planning strategies. Accordingly, the Company also determined that it was more likely than not that it would not recognize the deferred tax assets; therefore, the Company established a valuation allowance of \$182.7 million, resulting in recognition of a net deferred tax benefit of \$21.4 million.

The foreign subsidiaries have traditionally had large deferred tax assets. The Company regularly reviews its deferred tax assets for recoverability taking into consideration such factors as historical financial results, projected future taxable income and the expected timing of the reversals of existing temporary differences. SFAS No. 109 requires the Company to record a valuation allowance when it is "more likely than not that some portion or all of the deferred tax assets will not be realized." It further states "forming a conclusion that a valuation allowance is not needed is difficult when there is negative evidence such as cumulative losses in recent years."

Based upon the Canadian subsidiary's results of operations for the year ended December 31, 2005 and their expected profitability in 2006, the Company concluded that it was more likely than not that all of the Canadian net deferred tax assets will be realized. As a result, in accordance with SFAS No. 109, the valuation allowance applied to such net deferred tax assets was reversed in the third quarter of 2005. Reversal of the valuation allowance resulted in a non-cash income tax benefit in the third quarter of 2005 totaling \$4.2 million. The Company also recorded a deferred tax expense of \$6.6 million related to the reversal of certain temporary differences, resulting in a net deferred tax expense of approximately \$2.4 million.

The components of income tax expense (benefit) were as follows:

	Year Ended December 31,		
	2007	2006	2005
<b>Current:</b>			
Federal tax (benefit)	\$ —	\$ —	\$ —
State tax	98	102	74
Foreign tax	3,320	4,045	6
<b>Total</b>	<b>3,418</b>	<b>4,147</b>	<b>80</b>
<b>Deferred:</b>			
Federal and state tax (benefit)	—	(20,039)	—
Foreign tax (benefit)	(554)	1,821	2,422
<b>Total</b>	<b>(554)</b>	<b>(18,218)</b>	<b>2,422</b>
<b>Income tax expense (benefit)</b>	<b>\$ 2,864</b>	<b>\$ (14,071)</b>	<b>\$ 2,502</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 9. TAXES (Continued)

U.S. and foreign components of income (loss) before income taxes are presented below (in thousands):

	Year Ended December 31,		
	2007	2006	2005
U.S. income (loss)	\$ (17,545)	\$ 5,120	\$ 12,736
Foreign income (loss)	(7,516)	4,432	8,485
<b>Total income (loss) before income taxes</b>	<b>\$ (25,061)</b>	<b>\$ 9,552</b>	<b>\$ 21,221</b>

The components of net deferred income tax assets were as follows (in thousands):

	December 31,	
	2007	2006
Federal and foreign net operating loss and credit carryforwards	\$ 78,069	\$ 42,129
Property and equipment	134,046	156,548
Accruals and reserves	5,475	10,408
Gross deferred tax assets	217,590	209,085
Derecognized under FIN 48	(73,585)	—
Deferred tax assets before valuation allowance	144,005	209,085
Valuation allowance	(122,446)	(188,827)
Net deferred income tax assets	\$ 21,559	\$ 20,258

As of December 31, 2007, the Company had cumulative U.S. and foreign net operating loss carryforwards for income tax reporting purposes of approximately \$173.0 million and \$53.0 million, respectively. As of December 31, 2006, the Company had cumulative U.S. and foreign net operating loss carryforwards for income tax reporting purposes of approximately \$90.0 million and \$39.0 million, respectively. The net operating loss carryforwards expire on various dates beginning in 2009 and some of which do not expire.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 9. TAXES (Continued)

The actual provision for income taxes differs from the statutory U.S. federal income tax rate as follows (in thousands):

	Year Ended December 31,		
	2007	2006	2005
Provision at U.S. statutory rate of 35%	\$ (8,762)	\$ 3,344	\$ 7,427
Nontaxable partnership interest	—	—	(4,561)
State income taxes, net of federal benefit	(1,053)	461	74
Incorporation of U.S. company	—	(21,378)	—
Change in valuation allowance and utilization of deferred tax assets	7,195	1,304	(2,326)
Effect of foreign income tax at various rates	1,664	1,588	1,669
Foreign losses with no tax benefit	1,445	—	—
Permanent differences	1,072	—	—
Other	1,303	610	219
Total	\$ 2,864	\$ (14,071)	\$ 2,502

The change in the valuation allowance during the years ended December 31, 2007, 2006, and 2005 was \$7.2 million, \$183.7 million, and \$(0.7) million, respectively. The Company has not provided for United States income taxes and foreign withholding taxes on approximately \$8.6 million of undistributed earnings from certain foreign subsidiaries indefinitely invested outside the United States. Should the Company decide to repatriate these foreign earnings, the Company would have to adjust the income tax provision in the period in which management believes the Company would repatriate the earnings.

The Company has been notified that one of its subsidiaries is now under audit for the 2004 and 2005 tax years. During the audit period, the Company and the subsidiary 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. 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. As a partnership, the Company did not pay entity level taxes during the years before 2006; accordingly, any adjustments to the 2004 and 2005 returns would not cause the Company to have additional tax expense. However, if there is any adjustment to the basis of the assets, this could reduce the allowed depreciation in 2006 and 2007. The potential impact of such possibilities has been considered in the FIN 48 analysis. State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. 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.

*Tax Contingencies*

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in evaluating its tax positions and determining its provision for income taxes.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 9. TAXES (Continued)

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain.

The Company has established reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These reserves are established when we believe that certain positions might be challenged despite our belief that our tax return positions are fully supportable. The Company adjusts these reserves in light of changing facts and circumstances, such as the outcome of tax audits. The provision for income taxes includes the impact of reserve provisions and changes to reserves that are considered appropriate. Accruals for unrecognized tax benefits are provided for in accordance with the requirements of FIN 48.

The reconciliation of the Company's unrecognized tax benefits is as follows (in thousands):

	2007
Gross unrecognized tax benefits—January 1, 2007	\$ 73,670
Gross increases to current period tax positions	994
Audit settlements paid during 2007	(200)
Gross unrecognized tax benefits—December 31, 2007	\$ 74,464

Prior to the Company's adoption of FIN 48, its policy was to classify interest and penalties as an operating expense in arriving at pretax income. The Company has computed interest on the difference between the tax position recognized in accordance with FIN 48 and the amount previously taken or expected to be taken in its tax returns. Upon adoption of FIN 48, the Company has elected an accounting policy to also classify accrued interest and penalties related to unrecognized tax benefits in its income tax provision. The Company had accrued approximately \$60,000 and \$290,000 for interest, at January 1, 2007 and December 31, 2007, respectively, and approximately \$50,000 and \$500,000 for penalties at January 1, 2007 and December 31, 2007.

The Company has recorded a liability of \$0.6 million which resulted in a decrease to retained earnings at January 1, 2007. 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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 10. GEOGRAPHIC INFORMATION

The revenue by geographic location is presented net of eliminations for intercompany sales, and is as follows (in thousands):

	Year Ended December 31,		
	2007	2006	2005
<b>Service:</b>			
United States	\$ 43,214	\$ 46,417	\$ 37,254
Canada	26,445	32,820	32,819
Europe	4,692	5,891	5,648
Central and South America	2,883	3,934	3,221
Others	1,079	2,975	2,530
<b>Total service revenue</b>	<b>78,313</b>	<b>92,037</b>	<b>81,472</b>
<b>Subscriber equipment:</b>			
United States	7,303	22,764	24,715
Canada	5,656	8,031	12,730
Europe	5,334	4,802	4,371
Central and South America	1,161	4,210	1,395
Others	631	4,827	2,464
<b>Total subscriber equipment revenue</b>	<b>20,085</b>	<b>44,634</b>	<b>45,675</b>
<b>Total revenue</b>	<b>\$ 98,398</b>	<b>\$ 136,671</b>	<b>\$ 127,147</b>

The long-lived assets (property and equipment) by geographic location are as follows (in thousands):

	December 31,	
	2007	2006
<b>Long-lived assets:</b>		
United States	\$ 283,222	\$ 128,319
Canada	1,314	920
Europe	573	779
Central and South America	4,117	6,557
Others	877	147
<b>Total long-lived assets</b>	<b>\$ 290,103</b>	<b>\$ 136,722</b>

## 11. OTHER RELATED PARTY TRANSACTIONS

Old Globalstar had a number of transactions with QUALCOMM, Loral and other affiliates. Such transactions were negotiated on an arms-length basis and Old Globalstar believed that the arrangements were no less favorable to Old Globalstar than could be obtained from unaffiliated parties. QUALCOMM and Loral's ownership interest in New Globalstar was substantially diluted upon closing of the Thermo Transaction and subsequent settlement transactions. As of December 31, 2007, Loral had no ownership interest in New Globalstar and QUALCOMM's ownership interest was approximately 5.0%.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**11. OTHER RELATED PARTY TRANSACTIONS (Continued)**

Subsidiaries of Loral have formed joint ventures with partners, which have executed service provider agreements granting the joint ventures exclusive rights to provide Globalstar service to users in Brazil, Mexico, and Russia. Founding service provider agreements were entered into with certain of Old Globalstar's limited partners for specific countries. These agreements were rejected in Old Globalstar's Chapter 11 Plan. The service providers continue to provide Globalstar service and several have negotiated new Satellite Services Agreements with Globalstar.

On July 9, 2004, Globalstar issued a purchase order to QUALCOMM under the terms of previously executed commercial agreements for 40,000 QUALCOMM GSP-1600 mobile phones at a price of \$26.0 million. Consistent with the terms of the commercial agreements, Globalstar paid \$6.5 million (25%) against this purchase order in 2004; the remaining 75% was due upon the delivery of each unit. Delivery of these units by QUALCOMM commenced in January 2005. The Company and QUALCOMM subsequently agreed to certain credits and discounts. As of December 31, 2005, the contract was 100% fulfilled. Also, under the terms of the commercial agreements, Globalstar has continued to place production orders with QUALCOMM for fixed user terminals, car kits and accessory items on an as required basis.

Since 2005, Globalstar issued separate purchase orders for additional phone equipment and accessories under the terms of previously executed commercial agreements to QUALCOMM that aggregate to a total commitment balance of approximately \$160.6 million. Approximately \$50.8 million consists of phones and accessories under the original commercial agreement which was 100% fulfilled as of December 31, 2007. The remaining \$109.8 million of the \$160.6 million consists of the new generation of phones and fixed user terminals, car kits and accessories which QUALCOMM began delivering in October 2006.

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 December 31, 2007 and 2006, total advances to QUALCOMM for inventory were \$9.7 million and \$15.3 million, respectively.

The total orders placed with QUALCOMM as of December 31, 2007 and 2006 were approximately \$191.2 million and \$186.7 million with an outstanding commitment balance of approximately \$57.0 million and \$86.7 million, respectively.

In September 2005, QUALCOMM entered into a buyback arrangement with Globalstar whereby Globalstar delivered several hundred GSP-1600 phones and contracted to provide service to QUALCOMM's customers. Revenue recognized for equipment during 2005 under this arrangement was approximately \$440,000 with a related cost of subscriber equipment of \$314,000. Related service billings of \$595,000 were recorded to deferred service revenue. Revenue from service billings are recognized based on actual usage.

During each of the years ended December 31, 2007, 2006 and 2005, the Company employed, in non-executive positions, certain immediate family members of its executive officers. The aggregate compensation amounts recognized for these immediate family members during the years ended December 31, 2007, 2006 and 2005 were \$0.3 million, \$0.3 million and \$0.5 million, respectively.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**11. OTHER RELATED PARTY TRANSACTIONS (Continued)**

On December 17, 2007, Thermo Funding Company, an affiliate of Thermo (Globalstar's principal owner), 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. See Note 7.

*Purchases from Affiliates*

Total purchases from the Company's affiliate, QUALCOMM, were \$39.9 million, \$57.5 million and \$49.3 million for the years ended December 31, 2007, 2006 and 2005, respectively.

*Revenue from Affiliates*

Total usage revenues from affiliates for the years ended December 31, 2007, 2006 and 2005 were \$0.5 million, \$1.5 million and \$1.2 million, respectively. Total equipment revenue from affiliates for the years ended December 31, 2007, 2006 and 2005 were \$0.1 million, \$3.4 million and \$4.2 million, respectively.

**12. COMMITMENTS AND CONTINGENCIES***Future Minimum Lease Obligations*

Globalstar currently has several leases for facilities throughout the United States and around the world, including California, Florida, Maryland, Texas, Canada, Ireland, France, Venezuela, and Colombia. The leases expire on various dates through August 2015. The following table presents the future minimum lease payments (in thousands):

<b>Years Ending December 31,</b>	
2008	\$ 1,411
2009	514
2010	170
2011	182
2012	177
Thereafter	486
	<hr/>
<b>Total minimum lease payments</b>	<b>\$ 2,940</b>

Rent expense for the years ended December 31, 2007, 2006 and 2005 were approximately \$1.4 million, \$1.4 million and \$1.5 million, respectively.

*Contractual Obligations*

The Company has purchase commitments with QUALCOMM, Thales, Arianespace, Starsem, Space Systems Loral and other vendors totalling approximately \$280.8 million, \$283.2 million, \$221.9 million, \$118.5 million, \$118.5 million and \$98.4 million in 2008, 2009, 2010, 2011, 2012 and thereafter, respectively. The Company expects to fund its long-term capital needs with any remaining funds available under its credit agreement, cash flow, which it expects will be generated primarily from sales of its Simplex products and services, including its new SPOT products and services, and the

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 12. COMMITMENTS AND CONTINGENCIES (Continued)

incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds.

*Litigation*

From time to time, the Company is involved in various 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 the Company's business, results of operations or financial condition. The Company is involved in certain litigation matters as discussed below.

On August 24, 2005, customers of Globalstar USA, LLC's reseller, AirStar Communications, filed a complaint in the Circuit Court of Kanawha County West Virginia based on alleged overcharges for service and certain other acts by defendants. The plaintiffs seek unspecified damages. On January 22, 2007, the presiding judge in this case issued an order granting Globalstar's motion for summary judgment in its favor on all claims asserted by plaintiffs. On September 4, 2007, the judge denied plaintiffs' motion requesting the judge to alter his order, and on September 17 the judge entered a final judgment against plaintiffs and in favor of Globalstar. Plaintiffs filed a petition for appeal with the West Virginia Supreme Court of Appeals on January 7, 2008. Globalstar filed an objection to the appeal on February 5, 2008.

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 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. The Amended Complaint reasserts claims against the Company and the Company's CEO and CFO, and adds as defendants the three co-lead underwriters of the IPO, Wachovia Capital Markets, LLC, JPMorgan Securities, Inc. and Jefferies & Company, Inc. It 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 and rescission under Section 12(a)(2) of the Securities Act of 1933. On November 15, 2007, plaintiffs filed their Second Amended Complaint. Defendants' response and motion to dismiss was filed on February 15, 2008. The Plaintiff's response to these motions is due April 15, 2008 in accordance with the Court's scheduling order. The Company intends to defend the matter vigorously.

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.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**12. COMMITMENTS AND CONTINGENCIES (Continued)**

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 the Company filed its Objections to Plaintiff's First Set of Requests for Production of Documents. A hearing on the Company's motion to dismiss the Second Amended Complaint was held on February 5, 2008. On February 6, 2008, the judge granted the Company's motion in part and denied it in part. Discovery related solely to the issue of certification of the class is ongoing.

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 asserts claims based on Quebec law related to his alleged problems with Globalstar Canada's service. The Company moved to disqualify Mr. Barrette because of his association with the law firm representing plaintiffs and to transfer the case to the district of Montreal. The court recently granted the Company's motion for a change of venue, and plaintiff's counsel substituted a new designated representative of the purported class. The case is now known as *Steve Poisson v. Globalstar Canada Satellite Co.*, No. 500-06-000417-077. Plaintiff has not specified what remedies he is seeking.

**13. INCORPORATION AND RECAPITALIZATION**

In preparation for meeting its commitments to register Globalstar shares of Common Stock under the Securities Exchange Act of 1934, Globalstar elected to be taxed as a C corporation effective January 1, 2006. Effective March 17, 2006, Globalstar was converted from a limited liability company into a corporation under Delaware law. On that date, the Company's 61,947,654 issued and outstanding membership units (adjusted for a subsequent six-for-one stock split) were automatically converted into a like number of shares of Common Stock, its limited liability company agreement was replaced by a certificate of incorporation and bylaws, and its name was changed to Globalstar, Inc. In connection with its conversion into a corporation, the Company established three classes of \$0.0001 par value Common Stock, Series A (300,000,000 shares authorized); Series B (20,000,000 shares authorized); and Series C (480,000,000 shares authorized). All classes of Common Stock had identical rights and privileges except with respect to their rights to elect directors. Series A holders were entitled to elect two directors, Series B holders to elect one director, and Series C holders to elect up to five directors. Under the applicable Delaware statute, all assets and liabilities of the limited liability company became the property of and were deemed to be assumed by the corporation. On October 25, 2006, the Company amended and restated its certificate of incorporation to, among other things, create a single class of Common Stock and convert each share of the Company's three series of Common Stock into one share of a single series of Common Stock. Immediately following the filing of the amended and restated certificate of incorporation, a six-for-one stock split (in the form of a five-shares-for-one-share stock dividend), which had been pre-approved by the Company's board of directors, was effected. All references to shares of Common Stock and membership interests and their respective per-unit amounts in these consolidated financial statements and notes to consolidated financial statements have been restated to reflect the effect of this stock split on a retroactive basis as if it had occurred on January 1, 2004. Except where otherwise expressly indicated, the information in these notes also gives effect to the conversion of the Company's three series of Common Stock into a single series of Common Stock.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**13. INCORPORATION AND RECAPITALIZATION (Continued)**

Pursuant to the operating agreement of Globalstar, in connection with its conversion to a Delaware corporation, Globalstar was obligated to distribute \$685,848 to Thermo. This amount represents a deferred payment of interest that accrued from December 6, 2003 to April 14, 2004 on loans made by Thermo to Globalstar that were converted to equity on April 14, 2004. In connection with the negotiation of Globalstar's credit agreement, Thermo agreed to defer receipt of this payment until the completion of the Company's initial public offering. As permitted by its credit agreement, Globalstar distributed the \$685,848 to Thermo on December 12, 2006.

On November 2, 2006, the Company completed its initial public offering and sold 7,500,000 shares of its Common Stock at \$17.00 per share. The Company received cash proceeds, net of underwriting fees and other offering expenses, of approximately \$116.6 million.

**14. EQUITY INCENTIVE PLAN**

On July 12, 2006, the Company's board of directors adopted and a majority of the Company's stockholders approved the Globalstar, Inc. 2006 Equity Incentive Plan ("Equity Plan"), which became effective upon the registration of the Company's Common Stock under the Securities Act of 1933 in November 2006. The purpose of the Equity Plan is to make available incentives that will assist the Company in attracting, retaining and motivating employees, directors and consultants whose contributions are essential to its success. The Company may provide these incentives through the grant of stock options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares or performance units. The Equity Plan is administered by the Compensation Committee of the board of directors. On November 9, 2006, the Company registered under the Securities Act 1,200,000 shares of its Common Stock for issuance under the Equity Plan and, on November 10, 2006, the Compensation Committee authorized granting restricted stock and restricted stock unit awards for an aggregate of approximately 295,000 shares of Common Stock to substantially all the Company's employees. Since this initial grant, the Company has granted additional restricted stock and restricted stock unit awards to its employees as a part of its equity incentive plans. The Company's equity incentive plans are broad-based, long-term retention programs intended to attract and retain talented employees and align stockholder and employee interests. The fair value of these grants is measured based upon the market price of the underlying Common Stock at the date of the grant. The grant date fair value of the award is amortized over the vesting term of the grant.

As per the terms of the restricted stock awards and the restricted stock units, 25% of the shares granted vest within six months of the grant date and the remainder vest on November 9, 2009, subject to certain acceleration clauses upon satisfactory completion of Company wide goals. For the years ended December 31, 2007 and 2006, the total compensation costs charged against income were \$9.6 million and \$1.2 million, respectively. The total tax benefit recognized in 2007 and 2006 for these restricted stock awards and restricted stock units was approximately \$0.4 million and \$0.3 million, respectively. For the year ended December 31, 2007, the stock compensation costs capitalized as a part of the second-generation satellite constellation was \$0.2 million. There was no amount of stock compensation expense capitalized during 2006. At December 31, 2007, the amount related to non-vested shares expected to be amortized over the remaining vesting period was \$4.0 million (excluding \$21.4 million of expected amortization related to the Company's Executive Incentive Compensation Plan). At December 31, 2007, the weighted average remaining vesting term of the non-vested shares was 2.5 years.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**14. EQUITY INCENTIVE PLAN (Continued)**

Approximately 1,470,000 and 295,000 restricted stock awards and restricted stock units were granted during the years ended December 31, 2007 and 2006, respectively. In January 2007, the Company's board of directors approved an additional 600,000 shares of the Company's Common Stock for issuance under the Equity Plan. On August 9, 2007, the Company registered under the Securities Act the additional 600,000 shares of Common Stock for issuance under the Equity Plan.

Effective August 10, 2007 (the "Effective Date"), the board of directors, upon recommendation of the Compensation Committee, approved the concurrent termination of the Company's Executive Incentive Compensation Plan and awards of restricted stock or restricted stock units under the Company's 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, for the non-U.S. Participant, restricted stock units, which upon vesting, each entitle him to one share of Globalstar 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 through 2011 and provide for payment in shares of Common Stock instead of cash, thereby enabling the Company to conserve its cash for capital expenditures for the procurement and launch of its second-generation satellite constellation and related ground station upgrades. At December 31, 2007, the amount related to non-vested share awards related to the Company's Executive Incentive Compensation Plan expected to be amortized over the remaining vesting period was \$21.4 million of which \$14.9 million is related to share awards that have not been issued as of December 31, 2007 and have not been included in the table below.

In January 2005, the Company promised one of its board members an option to purchase up to 120,000 shares at a price of approximately \$2.67 per share (as adjusted for a six-for-one stock split). This option vested fully in March 2006. The grant date intrinsic value and fair value of this award were approximately nil and \$40,000, respectively. The intrinsic value at December 31, 2007 was approximately \$0.6 million. There have been no other stock option grants. In August 2007, the Compensation Committee approved compensating the Company's independent directors for their services with restricted stock awards in lieu of cash compensation. The dollar value of such compensation is fixed and the number of restricted stock awards to be issued is based upon value of the Company's Common Stock on the issuance date.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 14. EQUITY INCENTIVE PLAN (Continued)

A summary of the nonvested shares under the Company's restricted stock and restricted unit awards as of December 31, 2007 and changes during the year ended December 31, 2007, is presented below:

Issued Nonvested Restricted Stock Awards and Restricted Stock Units	2007		2006	
	Shares	Weighted-Average Grant-Date Fair Value Per Share	Shares	Weighted-Average Grant-Date Fair Value Per Share
Outstanding at January 1	221,873	\$ 15.00	—	\$ 0.00
Granted	1,470,138	10.29	294,532	15.00
Vested	(50,095)	9.97	(70,124)	15.00
Forfeited	(23,173)	14.41	(2,535)	15.00
Outstanding at December 31	1,618,743	\$ 11.06	221,873	\$ 15.00

## 15. DERIVATIVES

In July 2006, in connection with entering into its credit agreement, which provides for interest at a variable rate (Note 7), 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%. As of December 31, 2007 and 2006, the fair value of the interest rate swap agreement was \$5.9 million and \$2.7 million, respectively which is reflected in the Company's Consolidated Balance Sheet in "Other non-current liabilities." The change in fair value for the year ended December 31, 2007 and 2006, of approximately \$3.2 million and \$2.7 million, respectively, was charged to "Interest rate derivative loss" in the accompanying Consolidated Statement of Operations. Upon the assumption of the credit agreement by Thermo Funding Company, the interest rate swap agreement was amended to require the Company to provide collateral in cash and securities equal to the negative value of the interest rate swap.

In December 2007, the Company entered into a forward contract for purchasing foreign currency to minimize its risk from fluctuations related to foreign currency exchange rates. At December 31, 2007, the fair value of the forward contract to purchase foreign currency was \$0.8 million and was reflected in the Company's Consolidated Balance Sheet in "Prepaid and other current assets." The change in fair value for the year ended December 31, 2007, of approximately \$0.8 million, was recorded as "Other Income" in the accompanying Consolidated Statement of Operations.

## 16. OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income were as follows (in thousands):

	December 31,	
	2007	2006
Accumulated minimum pension liability adjustment	\$ (1,664)	\$ (2,066)
Accumulated net foreign currency translation adjustment	5,075	900
Total accumulated other comprehensive income (loss)	\$ 3,411	\$ (1,166)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

## 17. QUARTERLY FINANCIAL DATA (UNAUDITED)

	Quarter Ended			
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007
	(In thousands, except per share amounts)			
Total revenue	\$ 23,154	\$ 25,837	\$ 25,688	\$ 23,719
Net income (loss)	\$ 444	\$ (12,687)	\$ 652	\$ (16,334)
Basic earnings (loss) per common share	\$ 0.01	\$ (0.17)	\$ 0.01	\$ (0.21)
Diluted earnings (loss) per common share	\$ 0.01	\$ (0.17)	\$ 0.01	\$ (0.21)
Shares used in basic per share calculations	73,651,548	75,656,992	78,000,148	81,813,645
Shares used in diluted per share calculations	73,745,811	75,656,992	79,043,868	81,813,645

	Quarter Ended			
	March 31, 2006	June 30, 2006	September 30, 2006	December 31, 2006
	(In thousands, except per share amounts)			
Total revenue	\$ 30,342	\$ 38,399	\$ 38,695	\$ 29,235
Net income (loss)	\$ 22,486	\$ (834)	\$ 2,701	\$ (730)
Basic earnings (loss) per common share	\$ 0.36	\$ (0.01)	\$ 0.04	\$ (0.01)
Diluted earnings (loss) per common share	\$ 0.36	\$ (0.01)	\$ 0.04	\$ (0.01)
Shares used in basic per share calculations	61,947,654	61,968,046	62,875,494	67,986,890
Shares used in diluted per share calculations	62,277,366	61,968,046	63,205,206	67,986,890

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

### Item 9A. 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 December 31, 2007, 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 December 31, 2007 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 year ended December 31, 2007.

### Management's Annual Report on Internal Control over Financial Reporting

Management of the Company, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act of 1934, as amended. The Company's internal controls were designed to provide reasonable assurance as to the reliability of our financial reporting and the preparation and presentation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

The Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the criteria in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Through this evaluation, management did not identify any material weakness in the Company's internal control over financial reporting. There

are inherent limitations in the effectiveness of any system of internal control over financial reporting; however, based on the evaluation, management has concluded the Company's internal control over financial reporting was effective as of December 31, 2007.

The effectiveness of our internal control over financial reporting as of December 31, 2007, has been audited by Crowe Chizek and Company LLP, an independent registered accounting firm, as stated in their report, which is included in Item 8 of this Report.

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

As of December 31, 2007, 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 period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

None.

**Item 10. Directors and Executive Officers of the Registrant**

Except for the information relating to our executive officers below, which is as of March 14, 2008, the information required by this item is incorporated by reference from the applicable information set forth in "Election of Directors," "Information about the Board of Directors and its Committees," and "Security Ownership of Directors and Executive Officers—Section 16(a) Beneficial Ownership Reporting Requirements" which will be included in our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders to be filed with the SEC, and "Item 1. Business—Additional Information" in this Report.

*James Monroe III* has served as a director of the Company since December 2003 and as Chairman of the Board of Directors since the Reorganization in April 2004. He was elected Chief Executive Officer in January 2005. Since 1984, Mr. Monroe has been the majority owner of a diverse group of privately owned businesses that operate in the fields of telecommunications, real estate, power generation, industrial equipment distribution, financial services and leasing services and that are sometimes referred to collectively in this Report as "Thermo." Thermo controls directly or indirectly Globalstar Holdings LLC, Globalstar Satellite, L.P., and Thermo Funding Company LLC.

*Fuad Ahmad* has served as Vice President and Chief Financial Officer of the Company since June 2005. From June 1999 to May 2005, he served as Finance Director of Old Globalstar and the Company, where he was involved in the initial fundraising activities related to building and launching the Globalstar System. He joined the Company in June 1996 as Finance Manager. Prior to that time, he was employed by Transworld Telecommunications, Inc., a private equity financed firm engaged in acquiring telecommunications companies in the United States.

*William F. Adler* has served as Vice President—Legal and Regulatory Affairs of the Company since April 2004 when he joined the Company from Old Globalstar, where he served as Vice President—Legal & Regulatory Affairs from January 1996 to April 2004. Prior to joining Old Globalstar in 1996, Mr. Adler was a partner in a communications law firm located in Washington, D.C. and served in executive capacities at Pacific Telesis Group and the FCC.

*Dennis C. Allen* has served as Senior Vice President of Sales and Marketing since June 2004 when he joined the Company from Xspedius Communications LLC, where he served as Executive Vice President of Sales from January 2003 to May 2004. Prior to joining Xspedius Communications, Mr. Allen served as Executive Vice President of Sales of a predecessor competitive local exchange company from January 2002 to December 2002. From May 1998 to December 2001, Mr. Allen served as Executive Vice President of Network Telephones, a competitive local telephone exchange providing voice and data products to small and medium sized businesses.

*Steven Bell* has served as Senior Vice President of International Sales, Marketing and Customer Care of the Company since April 2004 and as General Manager of Globalstar Canada, a subsidiary of the Company, since July 2003. From June 1999 to July 2003, Mr. Bell served as Director of Sales and Marketing of Globalstar Canada.

*Robert D. Miller* has served as Senior Vice President of Engineering and Ground Operations of the Company since April 2004. Mr. Miller joined the Company from Unibill, Inc., a full service billing vendor for the telecommunications industry, where he served as Senior Vice President and Chief Technology Officer from May 2003 to April 2004. From September 2002 to May 2003, Mr. Miller served as Vice President of Integration & Quality Assurance of Xspedius Communications LLC. Mr. Miller served as Chief Technology Officer of Xspedius, LLC, a predecessor to Xspedius Communications, from September 2001 to September 2002, and as its Vice President of Advanced Services from August 1998 to September 2001.

*Paul A. Monte* has served as Vice President—Engineering and Product Development since September 2005. From 1997 to September 2005, he served the Company and Old Globalstar as Director of Systems Engineering.

*Anthony J. Navarra* was a director of the Company from December 2003 until September 2004. He served as President of Old Globalstar and the Company from September 1 1999 to December 2004 and has served as President, Global Operations of the Company since January 2005.

*Richard S. Roberts* has served as a Vice President and General Counsel of Thermo Development Inc. since June 2002. Prior to that he was a partner of Taft, Stettinius & Hollister LLP, a law firm located in Cincinnati, Ohio, for over 20 years. He has also served as Secretary of the Company since the Reorganization in April 2004. Mr. Roberts is also a limited partner of Globalstar Satellite, L.P.

*Martin E. Neilsen* has served as Vice President - New Business Ventures since January 2008. From May 2000 to December 2007, he served as Director of Business Development of Old Globalstar and the Company. He joined the Company in September 1993 as a Financial Analyst. Prior to joining Globalstar he spent nine years at Space Systems Loral.

Mr. Navarra and Mr. Adler served as officers or directors of Old Globalstar and certain of its subsidiaries, both prior to and during their bankruptcy proceedings, and continue to serve as directors or executive officers of a subsidiary of Old Globalstar.

#### **Item 11. Executive Compensation**

The information required by this item is incorporated by reference from the applicable information set forth in "Compensation of Executive Officers" and "Compensation of Directors" which will be included in our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders to be filed with the SEC.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is incorporated by reference from the applicable information set forth in "Security Ownership of Principal Stockholders and Management" and "Equity Compensation Plan Information" which will be included in our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders to be filed with the SEC.

#### **Item 13. Certain Relationships and Related Transactions**

The information required by this item is incorporated by reference from the applicable information set forth in "Other Information—Related Person Transactions" and "Information about the Board of Directors and its Committees" which will be included in our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders to be filed with the SEC.

#### **Item 14. Principal Accounting Fees and Services**

The information required by this item is incorporated by reference from the applicable information set forth in "Other Information—Globalstar's Independent Registered Accounting Firm" which will be included in our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders to be filed with the SEC.

**Item 15. Exhibits and Financial Statements Schedules.**

(a) The following documents are filed as part of this report:

(1) Financial Statements and Reports of Independent Registered Public Accounting Firms

Reports of Independent Registered Public Accounting Firms	79
Consolidated balance sheets at December 31, 2007 and 2006	81
Consolidated statements of income (loss) for the years ended December 31, 2007, 2006 and 2005	82
Consolidated statements of comprehensive income (loss) for the years ended December 31, 2007, 2006 and 2005	83
Consolidated statements of ownership equity for the years ended December 31, 2007, 2006 and 2005	84
Consolidated statements of cash flows for the years ended December 31, 2007, 2006 and 2005	85
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(2) Financial Statement Schedules

All schedules are omitted because they are not required information or the required information is in the financial statements or notes thereto.

(3) Exhibits

See exhibit list.

## EXHIBIT INDEX

Exhibit Number	Description
*3.1	Amended and Restated Certificate of Incorporation of Globalstar, Inc. (Exhibit 3.1 to Registration Statement on Form S-1, Amendment No. 5 filed October 27, 2006)
*3.2	Amended and Restated Bylaws of Globalstar, Inc. (Exhibit 3.2 to Quarterly Report on Form 10-Q filed December 18, 2006)
*10.1	Amended and Restated Credit Agreement dated as of August 16, 2006 among Globalstar, Inc., the lenders referred to therein, and Wachovia Investment Holdings, LLC, as Administrative Agent. (Exhibit 10.1 to Registration Statement on Form S-1, Amendment No. 1 filed August 29, 2006)
*10.2	Amendment dated as of September 29, 2006 to Amended and Restated Credit Agreement dated as of August 16, 2006. (Exhibit 10.16 to Registration Statement on Form S-1, Amendment No. 3 filed October 2, 2006)
*10.3	Second Amendment dated as of October 26, 2006 to Amended and Restated Credit Agreement dated as of August 16, 2006. (Exhibit 10.19 to Registration Statement on Form S-1, Amendment No. 5 filed October 27, 2006)
*10.4	Second Amended and Restated Irrevocable Standby Stock Purchase Agreement dated as of August 25, 2006 among Globalstar, Inc., Wachovia Investment Holdings, LLC and Thermo Funding Company LLC, as amended through October 13, 2006. (Exhibit 10.2 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
*10.5	Escrow Agreement dated as of April 24, 2006 among Thermo Funding Company LLC, Globalstar, Inc., Wachovia Bank and UBS AG, New York Branch, as Escrow Agent. (Exhibit 10.3 to Registration Statement on Form S-1, Amendment No. 1 filed August 29, 2006)
*10.6†	Launch Services Agreement by and between Globalstar LLC and Starsem dated September 21, 2005. (Exhibit 10.5 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
*10.7†	Satellite Products Supply Agreement by and between QUALCOMM Incorporated and New Operating Globalstar LLC dated as of April 13, 2004. (Exhibit 10.6 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
*10.8†	Amendment Number 1 to Satellite Products Supply Agreement dated as of May 25, 2005. (Exhibit 10.7 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
*10.9†	Amendment Number 2 to Satellite Products Supply Agreement dated as of May 25, 2005. (Exhibit 10.8 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
*10.10†	Amendment Number 3 to Satellite Products Supply Agreement dated as of September 30, 2005. (Exhibit 10.9 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
*10.11	Asset Contribution Agreement by and among Globalstar, L.P., New Operating Globalstar LLC, Thermo Capital Partners LLC and certain of their affiliates dated as of December 5, 2003. (Exhibit 10.11 to Registration Statement on Form S-1, Amendment No. 1 filed August 29, 2006)

- \*10.12† Agreement for Sale of Globalstar Satellite Mobile Phones entered into as of April 13, 2004 by and between QUALCOMM Incorporated and New Operating Globalstar LLC. (Exhibit 10.12 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
- \*10.13† First Amendment to Agreement for Sale of Globalstar Satellite Mobile Phones entered into as of October 5, 2004 by and between QUALCOMM Incorporated and Globalstar LLC. (Exhibit 10.13 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
- \*10.14 Contract between Globalstar Canada Satellite Co. and Richardson Electronics, Ltd. dated April 17, 2006. (Exhibit 10.14 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
- \*10.15 Master Agreement between Globalstar LLC and Space Systems/Loral, Inc. for Professional Services effective as of June 1, 2004. (Exhibit 10.15 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
- \*10.16 Authorization to Proceed letter to Alcatel Alenia Space France dated October 4, 2006. (Exhibit 10.17 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
- \*10.17† Contract between Globalstar, Inc. and Alcatel Alenia Space France dated as of November 30, 2006. (Exhibit 10.1 to Quarterly Report on Form 10-Q filed December 18, 2006)
- \*10.18 Escrow Agreement between Globalstar, Inc., Alcatel Alenia Space France and Societe Generale dated December 21, 2006. (Exhibit 10.18 to Annual Report on Form 10-K filed April 2, 2007)
- \*10.19† Contract between Globalstar and Thales Alenia Space France (formerly known as Alcatel Alenia Space France dated as of March 22, 2007. (Exhibit 10.1 to Quarterly Report on Form 10-Q filed May 15, 2007)
- \*10.20† Launch Services Agreement between Globalstar, Inc. and Arianspace dated as of September 5, 2007. (Exhibit 10.1 to Quarterly Report on Form 10-Q filed November 14, 2007)
- \*10.22† Partnership Interest Purchase Agreement among GSSI, LLC, Globalstar, Inc., Loral/DASA Globalstar, L.P., Globalstar do Brasil S.A., Loral/DASA do Brasil Holdings Ltda., Loral Holdings LLC, Global DASA LLC, LGP (Bermuda) Ltd., Mercedes-Benz do Brasil Ltda. and Loral Space Communications Inc. dated December 21, 2007. (Exhibit 2.1 to Registration Statement on Form S-4 filed January 30, 2008)
- 10.23 Second Amended and Restated Credit Agreement dated as of December 17, 2007 by and among Globalstar, Inc., as Borrower, the Lenders referred to therein and Thermo Funding Company LLC, as Administrative Agent and Lender.
- 10.24† Third Amendment to the Contract between Globalstar and Thales Alenia Space France (formerly known as Alcatel Alenia Space France) dated as of December 19, 2007.
- 10.25† Authorization to Proceed letter to Thales Alenia Space France (formerly known as Alcatel Alenia Space France) dated December 21, 2007.

*Executive Compensation Plans and Agreements*

- \*10.26 Option Agreement with Peter J. Dalton. (Exhibit 10.18 to Registration Statement on Form S-1, Amendment No. 5 filed October 27, 2006)
- \*10.27† Globalstar Companies Designated Executive Incentive Compensation Memorandum dated as of June 1, 2005, effective as of November 1, 2004. (Exhibit 10.10 to Registration Statement on Form S-1, Amendment No. 4 filed October 17, 2006)
- \*10.28 Globalstar, Inc. 2006 Equity Incentive Plan. (Exhibit 10.4 to Registration Statement on Form S-1, Amendment No. 1 filed August 29, 2006)
- 10.29 Form of Notice of Grant and Restricted Stock Award Agreement for grants to employees, including executive officers, under the Globalstar, Inc. 2006 Equity Incentive Plan
- \*10.30 Form of Designated Executive Award Agreement under the 2006 Globalstar, Inc. Equity Incentive Plan for the U.S. domiciled executives (Exhibit 10.1 to Quarterly Report on Form 10-Q filed August 14, 2007)
- \*10.31 Form of Designated Executive Award Agreement under the 2006 Globalstar, Inc. Equity Incentive Plan for the Canadian domiciled executive (Exhibit 10.2 to Quarterly Report on Form 10-Q filed August 14, 2007)
- 21.1 Subsidiaries of Globalstar, Inc.
- 23.1 Consent of Crowe Chizek and Company LLP
- 24.1 Power of Attorney (included as part of the signature page)
- 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

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\* Incorporated by reference

† 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.

## SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GLOBALSTAR, INC.

Date: March 14, 2008

By: /s/ JAMES MONROE III

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James Monroe III  
*Chairman and Chief Executive Officer*

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James Monroe III and Fuad Ahmad, jointly and severally, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this Annual Report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of March 14, 2008.

Signature	Title
<hr/> /s/ JAMES MONROE III James Monroe III	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)
<hr/> /s/ FUAD AHMAD Fuad Ahmad	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
<hr/> /s/ PETER J. DALTON Peter J. Dalton	Director
<hr/> /s/ KENNETH E. JONES Kenneth E. Jones	Director
<hr/> /s/ JAMES F. LYNCH James F. Lynch	Director
<hr/> /s/ RICHARD S. ROBERTS Richard S. Roberts	Director
<hr/> /s/ J. PATRICK MCINTYRE J. Patrick McIntyre	Director

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\$150,000,000

**SECOND AMENDED AND RESTATED CREDIT AGREEMENT**

dated as of December , 2007,

by and among

**GLOBALSTAR, INC.,**  
as Borrower,

the Lenders referred to herein,

and

**THERMO FUNDING COMPANY LLC**  
as Administrative Agent and Lender

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Exhibit B	—	Form of Notice of Borrowing
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SECOND AMENDED AND RESTATED CREDIT AGREEMENT, dated as of December , 2007, by and among GLOBALSTAR, INC., a Delaware corporation (the "Borrower"), the lenders who are or may become a party to this Agreement (collectively, the "Lenders") and THERMO FUNDING COMPANY LLC, as Administrative Agent for the Lenders.

### STATEMENT OF PURPOSE

Pursuant to the Amended and Restated Credit Agreement dated as of August 16, 2006 (as previously amended, restated or modified, the "Existing Facility") by and among the Borrower, the Lenders party thereto (the "Existing Lenders") and Wachovia Investment Holdings, LLC as the administrative agent (the "Prior Administrative Agent"), the Existing Lenders and the Prior Administrative Agent agreed to extend certain credit facilities to the Borrower pursuant to the terms thereof.

As of the date hereof, all of the rights of the Existing Lenders and the Prior Administrative Agent under the Existing Facility (except their rights under Section 14.3 of the Existing Facility) have been assigned to, and all of the obligations of the Existing Lenders and the Prior Administrative Agent under the Existing Facility have been assumed by, Thermo Funding Company LLC.

The Borrower has requested, and subject to the terms hereof, the Lenders have agreed to amend and restate the Existing Facility to provide for the modification of certain terms and conditions as set forth herein.

The Borrower has requested, and the Lenders have agreed, to extend certain credit facilities to the Borrower on the terms and conditions of this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties hereby agree as follows:

### ARTICLE I

#### DEFINITIONS

SECTION 1.1 *Definitions.* The following terms when used in this Agreement shall have the meanings assigned to them below:

"Additional Term Loan" has the meaning assigned thereto in Section 4.5.

"Additional Term Loan Effective Date" means the date, which shall be a Business Day, on or before the Term Loan Maturity Date, but no earlier than thirty (30) days after any Increase Notification Date, on which each of the Increasing Term Lenders make Additional Term Loans to the Borrower pursuant to Section 4.5.

"Additional Term Loan Limit" means an amount equal to the sum of (a) \$250,000,000 plus (b) the aggregate amount of any permanent reductions in the Delayed Draw Term Loan Commitment pursuant to Section 4.4(b)(i) or Section 4.4(b)(ii)(A) plus (c) the aggregate amount of any mandatory prepayments of the outstanding Delayed Draw Term Loan pursuant to Section 4.4(b)(i) or Section 4.4(b)(ii)(B).

"Adjusted Consolidated EBITDA" means, for any period, Consolidated EBITDA for such period; provided that for purposes of calculating the Consolidated Net Income component of Consolidated EBITDA, revenue attributable to any Liberty Plan shall be deemed to be earned in equal monthly installments over the term of such Liberty Plan, starting with the month in which such Liberty Plan commences, regardless of when such revenue is deemed recognized under GAAP.

"Adjusted Consolidated EBITDA Reconciliation" means, for any period, a reconciliation statement prepared by the Borrower in a form reasonably acceptable to the Administrative Agent showing a reconciliation of (a) revenues earned from Liberty Plans for such period, as determined

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in accordance with the definition of Adjusted Consolidated EBITDA to (b) revenues recognized from Liberty Plans for such period, as determined in accordance with GAAP.

"*Administrative Agent*" means Thermo Funding Company LLC, in its capacity as Administrative Agent hereunder, and any successor thereto appointed pursuant to *Section 13.6*.

"*Administrative Agent's Office*" means the office of the Administrative Agent specified in or determined in accordance with the provisions of *Section 14.1(c)*.

"*Administrative Questionnaire*" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"*Affiliate*" means, with respect to any Person, any other Person (other than a Subsidiary of the Borrower) which directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person or any of its Subsidiaries. As used in this definition, the term "control" means (a) the power to vote ten percent (10)% or more of the securities or other equity interests of a Person having ordinary voting power, or (b) the possession, directly or indirectly, of any other power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"*Agreement*" means this Second Amended and Restated Credit Agreement, as further amended, restated, supplemented or otherwise modified from time to time.

"*Applicable Law*" means all applicable provisions of constitutions, laws, statutes, ordinances, rules, treaties, regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities and all orders and decrees of all courts and arbitrators.

"*Applicable Margin*" means (a) with respect to any Delayed Draw Term Loan, 6.00% per annum for LIBOR Rate Loans and 5.00% per annum for Base Rate Loans, (b) with respect to the commitment fee for the Delayed Draw Term Loan Commitment, 2.00%, (c) with respect to the commitment fee for the Revolving Credit Commitment, 0.50% and (d) with respect to any Revolving Credit Loan, the corresponding percentages per annum as set forth below based on the Consolidated Total Leverage Ratio:

Pricing Level	Consolidated Total Leverage Ratio	Revolving Credit Loans	
		Applicable Margin (LIBOR Rate Loans)	Applicable Margin (Base Rate Loans)
I	Greater than or equal to 2.50 to 1.00	4.75%	3.75%
II	Greater than or equal to 1.50 to 1.00; but less than 2.50 to 1.00	4.50%	3.50%
III	Less than 1.50 to 1.00	4.25%	3.25%

The Applicable Margin for Revolving Credit Loans shall be determined and adjusted quarterly on the date (each a "*Calculation Date*") ten (10) Business Days after receipt by the Administrative Agent of the Officer's Compliance Certificate pursuant to *Section 8.2* for the most recently ended fiscal quarter of the Borrower; *provided* that (a) the initial Applicable Margin shall be based on the Consolidated Total Leverage Ratio shown in the Officer's Compliance Certificate delivered on the Closing Date and calculated as of the last day of the most recent fiscal quarter for which such information is readily available until the first Calculation Date occurring after the Closing Date and thereafter, the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date as set forth in the Officer's Certificate for such

Calculation Date; *provided further* that the Applicable Margin shall be adjusted (as necessary) upon the delivery of each Financial Condition Certificate required to be delivered pursuant to *Section 6.3(c)* and (b) if the Borrower fails to provide the Officer's Compliance Certificate as required by *Section 8.2* for the most recently ended fiscal quarter of the Borrower preceding the applicable Calculation Date, the Applicable Margin from such Calculation Date shall be based on Pricing Level I until such time as an appropriate Officer's Compliance Certificate is provided, at which time the Pricing Level shall be determined by reference to the Consolidated Total Leverage Ratio as of the last day of the most recently ended fiscal quarter of the Borrower preceding such Calculation Date. Subject to the foregoing, the Applicable Margin for Revolving Credit Loans shall be effective from one Calculation Date until the next Calculation Date. Any adjustment in the Applicable Margin shall be applicable to all Extensions of Credit (other than Term Loans) then existing or subsequently made or issued.

"*Approved Fund*" means any Person (other than a natural Person), including, without limitation, any special purpose entity, that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business; *provided*, that such Approved Fund must be administered, managed or underwritten by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

"*Asset Disposition*" means the disposition of any or all of the assets (including, without limitation, the Capital Stock of a Subsidiary or any ownership interest in a joint venture) of any Credit Party or any Subsidiary thereof whether by sale, lease, transfer or otherwise. The term "Asset Disposition" shall not include any Equity Issuance or any Debt Issuance.

"*Assignment and Assumption*" means an assignment and assumption entered into by a Lender and an Eligible Assignee (with the consent of any party whose consent is required by *Section 14.10*), and accepted by the Administrative Agent, in substantially the form of *Exhibit G* or any other form approved by the Administrative Agent.

"*Attributable Indebtedness*" means, on any date, (a) in respect of any Capital Lease of any Person, the capitalized amount thereof that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP, and (b) in respect of any Synthetic Lease, the capitalized amount or principal amount of the remaining lease payments under the relevant lease that would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP if such lease were accounted for as a Capital Lease.

"*Base Rate*" means, at any time, the higher of (a) the Prime Rate and (b) the Federal Funds Rate *plus*  $\frac{1}{2}$  of 1%; each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate or the Federal Funds Rate.

"*Base Rate Loan*" means any Loan bearing interest at a rate based upon the Base Rate as provided in *Section 5.1(a)*.

"*Borrower*" has the meaning assigned thereto in the introductory paragraph hereto.

"*Business Day*" means (a) for all purposes other than as set forth in clause (b) below, any day other than a Saturday, Sunday or legal holiday on which banks in New York, New York, are open for the conduct of their commercial banking business, and (b) with respect to all notices and determinations in connection with, and payments of principal and interest on, any LIBOR Rate Loan, any day that is a Business Day described in clause (a) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

"*Capital Asset*" means, with respect to the Borrower and its Subsidiaries, any asset that should, in accordance with GAAP, be classified and accounted for as a capital asset on a Consolidated balance sheet of the Borrower and its Subsidiaries.

"*Capital Expenditures*" means with respect to the Borrower and its Subsidiaries for any period, the aggregate cost of all Capital Assets acquired by the Borrower and its Subsidiaries during such period, as determined in accordance with GAAP.

"*Capital Lease*" means any lease of any property by the Borrower or any of its Subsidiaries, as lessee, that should, in accordance with GAAP, be classified and accounted for as a capital lease on a Consolidated balance sheet of the Borrower and its Subsidiaries.

"*Capital Stock*" means (a) in the case of a corporation, capital stock, (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of capital stock, (c) in the case of a partnership, partnership interests (whether general or limited), (d) in the case of a limited liability company, membership interests and (e) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Change in Control*" means an event or series of events by which (a) any person or group of persons (within the meaning of Section 13(d) of the Securities Exchange Act of 1934, as amended), other than the Permitted Holders, shall obtain ownership or control in one or more series of transactions of more than twenty-five percent (25)% of the Capital Stock or twenty-five (25)% of the voting power of the Borrower entitled to vote in the election of members of the board of directors of the Borrower; *provided* that such event shall not be a Change in Control if the Permitted Holders then own or control more of the Capital Stock or voting power of the Borrower than such Person or group, or (b) there shall have occurred under any indenture or other instrument evidencing any Indebtedness in excess of \$1,000,000 any "change in control" or similar provision (as set forth in the indenture, agreement or other evidence of such Indebtedness obligating the Borrower to repurchase, redeem or repay all or any part of the Indebtedness or Capital Stock provided for therein.

"*Change in Law*" means the occurrence, after the date of this Agreement, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in any law, rule, regulation or treaty or in the administration, interpretation or application thereof by any Governmental Authority or (c) the making or issuance of any request, guideline or directive (whether or not having the force of law) by any Governmental Authority.

"*Closing Date*" means the date of this Agreement or such later Business Day upon which each condition described in *Section 6.2* shall be satisfied or waived as provided in *Section 14.2*.

"*Code*" means the Internal Revenue Code of 1986, and the rules and regulations thereunder, each as amended or modified from time to time.

"*Collateral*" means the collateral security for the Obligations pledged or granted pursuant to the Security Documents.

"*Collateral Agreement*" means the collateral agreement dated as of the Original Closing Date, executed by the Credit Parties in favor of the Prior Administrative Agent for the benefit of itself and the Lenders, substantially in the form of *Exhibit I*, as amended, restated, supplemented or otherwise modified prior to the date hereof, as reaffirmed pursuant to the Reaffirmation Agreement and as amended, restated, supplemented or modified from time to time hereafter.

"*Commitment Percentage*" means, as to any Lender, such Lender's Revolving Credit Commitment Percentage, Delayed Draw Term Loan Percentage or Term Loan Percentage, as applicable.

"Communications Act" shall mean the Communications Act of 1934 (47 U.S.C. 151, *et seq.*), as amended.

"Communications Licenses" shall mean (a) the licenses, permits, authorizations or certificates to construct, own, operate or promote the telecommunications business of the Borrower and its Subsidiaries (including, without limitation, the launch and operation of Satellites) as granted by the FCC, and all extensions, additions and renewals thereto or thereof, and (b) the licenses, permits, authorizations or certificates which are necessary or desirable to construct, own, operate or promote the telecommunications business of the Borrower and its Subsidiaries (including, without limitation, the launch and operation of Satellites) as granted by administrative law courts or any other Governmental Authority, and all extensions, additions, and renewals thereto and thereof.

"Consolidated" means, when used with reference to financial statements or financial statement items of any Person, such statements or items on a consolidated basis in accordance with applicable principles of consolidation under GAAP.

"Consolidated EBITDA" means, for any period, the sum of the following determined on a Consolidated basis, without duplication, for the Borrower and its Subsidiaries in accordance with GAAP: (a) Consolidated Net Income for such period *plus* (b) the sum of the following to the extent deducted in determining Consolidated Net Income: (i) income and franchise taxes, (ii) Consolidated Interest Expense, and (iii) amortization, depreciation and other non-cash charges (except to the extent that such non-cash charges are reserved for cash charges to be taken in the future), (iv) extraordinary losses (other than from discontinued operations) and any losses on foreign currency transactions, and (v) Transaction Costs (provided that in no event shall the aggregate amount of Transaction Costs relating to the negotiation of any Permitted Acquisitions or Permitted Joint Ventures which are not consummated added back to Net Income during any four (4) consecutive fiscal quarter period exceed \$1,000,000) *less* (c) interest income and any extraordinary gains and any gains on foreign currency transactions. For purposes of this Agreement, Consolidated EBITDA shall be adjusted on a *pro forma* basis, in a manner reasonably acceptable to the Administrative Agent, to include, as of the first day of any applicable period, any Permitted Acquisitions and any Asset Dispositions closed during such period, including, without limitation, adjustments reflecting any non-recurring costs and any extraordinary expenses of any Permitted Acquisitions and any Asset Dispositions closed during such period calculated on a basis consistent with GAAP and Regulation S-X of the Securities Exchange Act of 1934, as amended, or as approved by the Administrative Agent.

"Consolidated Interest Expense" means, with respect to the Borrower and its Subsidiaries for any period, the gross interest expense (including, without limitation, interest expense attributable to Capital Leases and all net payment obligations pursuant to Hedging Agreements) of the Borrower and its Subsidiaries, all determined for such period on a Consolidated basis, without duplication, in accordance with GAAP.

"Consolidated Net Income" means, with respect to the Borrower and its Subsidiaries, for any period of determination, the net income (or loss) of the Borrower and its Subsidiaries for such period, determined on a Consolidated basis in accordance with GAAP; *provided* that there shall be excluded from Consolidated Net Income (a) the net income (or loss) of any Person (other than a Subsidiary which shall be subject to clause (c) below), in which the Borrower or any of its Subsidiaries has a joint interest with a third party, except to the extent such net income is actually paid in cash to the Borrower or any of its Subsidiaries by dividend or other distribution during such period, (b) the net income (or loss) of any Person accrued prior to the date it becomes a Subsidiary of such Person or is merged into or consolidated with such Person or any of its Subsidiaries or that Person's assets are acquired by such Person or any of its Subsidiaries except to the extent included pursuant to the foregoing clause (a), and (c) the net income (if positive) of any

Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary to the Borrower or any of its Subsidiaries of such net income is not at the time permitted by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute rule or governmental regulation applicable to such Subsidiary.

"*Consolidated Senior Secured Indebtedness*" means as of any date of determination with respect to the Borrower and its Subsidiaries, on a Consolidated basis without duplication, the sum of (a) the Obligations plus (b) all other Indebtedness that ranks *pari passu* with the Obligations and is secured by a Lien on assets of the Borrower or any Subsidiary thereof.

"*Consolidated Senior Secured Leverage Ratio*" means, as of any date of determination, the ratio of (a) Consolidated Senior Secured Indebtedness on such date to (b) the sum of (i) Adjusted Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date and (ii) the net proceeds received by the Company from any Equity Issuance or capital contribution during such four (4) quarter period or within sixty (60) days thereafter.

"*Consolidated Total Leverage Ratio*" means, as of any date of determination, the ratio of (a) Consolidated Total Indebtedness on such date to (b) Adjusted Consolidated EBITDA for the period of four (4) consecutive fiscal quarters ending on or immediately prior to such date.

"*Consolidated Total Indebtedness*" means, as of any date of determination with respect to the Borrower and its Subsidiaries on a Consolidated basis without duplication, the sum of all Indebtedness of the Borrower and its Subsidiaries.

"*Covenant Capital Expenditures*" means all Capital Expenditures other than Excluded Capital Expenditures.

"*Credit Facility*" means, collectively, the Revolving Credit Facility and the Term Loan Facility.

"*Credit Parties*" means, collectively, the Borrower and the Subsidiary Guarantors.

"*Debt Issuance*" shall mean the issuance of any Indebtedness for borrowed money by the Borrower or any of its Subsidiaries. The term "Debt Issuance" shall not include any Equity Issuance or any Asset Disposition.

"*Debt Rating*" means, as of any date of determination, the rating as determined by either S&P or Moody's of the Borrower's senior secured long-term debt.

"*Default*" means any of the events specified in *Section 12.1* which with the passage of time, the giving of notice or any other condition, would constitute an Event of Default.

"*Defaulting Lender*" means any Lender that (a) has failed to fund any portion of the Revolving Credit Loans or the Term Loan required to be funded by it hereunder within one Business Day of the date required to be funded by it hereunder, (b) has otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within one Business Day of the date when due, unless such amount is the subject of a good faith dispute, or (c) has been deemed insolvent or become the subject of a bankruptcy or insolvency proceeding.

"*Delayed Draw Funding Deadline*" means August 15, 2009.

"*Delayed Draw Term Loan*" means any term loan made, or to be made, to the Borrower by the Lenders pursuant to *Section 4.1*, and all such term loans collectively as the context requires, but shall not include any of the Additional Term Loans made, or to be made, to the Borrower pursuant to *Section 4.5*.

"*Delayed Draw Term Loan Commitment*" means (a) as to any applicable Lender, the obligation of such Lender to make Delayed Draw Term Loans to the account of the Borrower hereunder in an aggregate principal amount not to exceed the applicable amount set forth opposite such Lender's name on the Register, as such amount may be reduced or otherwise modified at any time or from time to time pursuant to the terms hereof and (b) as to all applicable Lenders, the aggregate commitment of all such Lenders to make Delayed Draw Term Loans hereunder. The Delayed Draw Term Loan Commitment of all Lenders on the Closing Date shall be \$100,000,000.

"*Delayed Draw Term Loan Facility*" means the term loan facility established pursuant to *Section 4.1* and the other applicable provisions of *Article IV*.

"*Delayed Draw Term Loan Percentage*" means, as to any Lender at any time, the ratio of (a) the outstanding principal balance of the Delayed Draw Term Loans held by such Lender to (b) the aggregate outstanding principal balance of the Delayed Draw Term Loans held by all Lenders.

"*Disputes*" means any dispute, claim or controversy arising out of, connected with or relating to this Agreement or any other Loan Document, between or among parties hereto and to the other Loan Documents.

"*Dollars*" or "\$" means, unless otherwise qualified, dollars in lawful currency of the United States.

"*Domestic Subsidiary*" means any Subsidiary organized under the laws of any state of the United States or the District of Columbia, other than GCL Licensee LLC.

"*Earth Station*" shall mean any earth station (gateway) licensed for operation by the FCC or by a Governmental Authority outside of the United States that is owned and operated by the Borrower or any of its Subsidiaries.

"*Eligible Assignee*" means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund, and (d) any other Person (other than a natural person) approved by (i) the Administrative Agent and (ii) unless a Default or Event of Default has occurred and is continuing, the Borrower (each such approval in clause (i) or (ii) not to be unreasonably withheld or delayed); *provided* that notwithstanding the foregoing, "Eligible Assignee" shall not include the Borrower or any of the Borrower's Affiliates or Subsidiaries which is not also an Affiliate of a Lender.

"*Employee Benefit Plan*" means any employee benefit plan within the meaning of Section 3(3) of ERISA which (a) is maintained by the Borrower or any ERISA Affiliate or (b) has at any time within the preceding six (6) years been maintained by the Borrower or any current or former ERISA Affiliate.

"*Environmental Claims*" means any and all administrative, regulatory or judicial actions, suits, demands, demand letters, claims, liens, accusations, allegations, notices of noncompliance or violation, investigations (other than internal reports prepared by any Person in the ordinary course of business and not in response to any third party action or request of any kind) or proceedings relating in any way to any actual or alleged violation of or liability under any Environmental Law or relating to any permit issued, or any approval given, under any such Environmental Law, including, without limitation, any and all claims by Governmental Authorities for enforcement, cleanup, removal, response, remedial or other actions or damages, contribution, indemnification cost recovery, compensation or injunctive relief resulting from Hazardous Materials or arising from alleged injury or threat of injury to human health or the environment.

"*Environmental Laws*" means any and all federal, foreign, state, provincial and local laws, statutes, ordinances, codes, rules, standards and regulations, permits, licenses, approvals, interpretations and orders of courts or Governmental Authorities, relating to the protection of human health or the environment, including, but not limited to, requirements pertaining to the manufacture, processing, distribution, use, treatment, storage, disposal, transportation, handling, reporting, licensing, permitting, investigation or remediation of Hazardous Materials.

"*Equity Issuance*" means any issuance by the Borrower or any Subsidiary to any Person which is not a Credit Party of (a) shares of its Capital Stock, (b) any shares of its Capital Stock pursuant to the exercise of options or warrants or (c) any shares of its Capital Stock pursuant to the conversion of any debt securities to equity. The term "Equity Issuance" shall not include any Asset Disposition or any Debt Issuance.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, and the rules and regulations thereunder, each as amended or modified from time to time.

"*ERISA Affiliate*" means any Person who together with any Credit Party is treated as a single employer within the meaning of Section 414(b), (c), (m) or (o) of the Code or Section 4001(b) of ERISA.

"*Escrow Account*" means the escrow account with Société Générale pursuant to the Escrow Agreement.

"*Escrow Agreement*" means the escrow agreement among the Borrower, Thales Alenia Space (f/k/a Alcatel Alenia Space France) and Société Générale, S.A. dated December 21, 2006.

"*Eurodollar Reserve Percentage*" means, for any day, the percentage (expressed as a decimal and rounded upwards, if necessary, to the next higher 1/100th of 1%) which is in effect for such day as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any basic, supplemental or emergency reserves) in respect of eurocurrency liabilities or any similar category of liabilities for a member bank of the Federal Reserve System in New York City.

"*Event of Default*" means any of the events specified in *Section 12.1*; provided that any requirement for passage of time, giving of notice, or any other condition, has been satisfied.

"*Excess Cash Flow*" means, for any period of determination, the sum of the following determined on a Consolidated basis, without duplication, for the Borrower and its Subsidiaries in accordance with GAAP: (a) Adjusted Consolidated EBITDA for such period *minus* (b) the sum of the following: (i) cash taxes and Consolidated Interest Expense paid in cash for such period, (ii) all scheduled principal payments made in respect of Indebtedness during such period, (iii) all Covenant Capital Expenditures made during such period, (iv) (A) non-scheduled principal payments with respect to the Term Loan Facility and (B) prepayments or repayments of the Revolving Credit Loans to the extent in clause (B) that the Revolving Credit Commitment is permanently reduced by an equal amount at the time of such payment, (v) the cash portion of the purchase price and other reasonable acquisition-related costs paid by the Borrower for Permitted Acquisitions and (vi) Transaction Costs during such period (solely to the extent added back to Net Income in the calculation of Adjusted Consolidated EBITDA).

"*Excluded Capital Expenditures*" means Capital Expenditures funded (a) with Net Cash Proceeds received in connection (i) with an Insurance and Condemnation Event or an Asset Disposition and reinvested in accordance with *Section 4.4(b)* or (ii) with an Equity Issuance, or (b) by the issuance of Capital Stock of the Borrower to the seller (or an affiliate thereof) of the related Capital Asset.

"*Excluded Taxes*" means, with respect to the Administrative Agent, any Lender, or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable Lending Office is located, (b) any branch profits taxes imposed by the United States or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under *Section 5.12(b)*), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party hereto (or designates a new Lending Office) or is attributable to such Foreign Lender's failure or inability (other than as a result of a Change in Law) to comply with *Section 5.11(e)*, except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new Lending Office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to *Section 5.11(a)*.

"*Existing Facility*" shall have the meaning assigned thereto in the statement of purpose.

"*Existing Lenders*" shall have the meaning assigned thereto in the statement of purpose.

"*Extensions of Credit*" means, as to any Lender at any time, (a) an amount equal to the sum of (i) the aggregate principal amount of all Revolving Credit Loans made by such Lender then outstanding and (ii) the aggregate principal amount of the Term Loan made by such Lender then outstanding, or (b) the making of any Loan by such Lender, as the context requires.

"*FCC*" shall mean the Federal Communications Commission.

"*FDIC*" means the Federal Deposit Insurance Corporation, or any successor thereto.

"*Federal Funds Rate*" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers on such day (or, if such day is not a Business Day, for the immediately preceding Business Day), as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, *provided* that if such rate is not so published for any day which is a Business Day, the most recent published rate.

"*Fiscal Year*" means the fiscal year of the Borrower and its Subsidiaries ending on December 31.

"*Foreign Lender*" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes. For purposes of this definition, the United States, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"*Foreign Investment Limitation*" means, as of any date of determination, an amount equal to the sum of (a) \$25,000,000 less (b) the aggregate amount of Indebtedness permitted pursuant to *Section 11.1(e)(iii)* outstanding as of such date of determination less (c) the aggregate amount of all investments in Foreign Subsidiaries (valued as of the initial date of such investment without regard to any subsequent changes in value thereof) made after the date of this Agreement and prior to such date of determination pursuant to *Section 11.3(a)(ii)(B)* less (d) the aggregate amount of all investments (valued as of the initial date of such investment without regard to any subsequent changes in value thereof) in Foreign Subsidiaries (or any entities that would constitute Foreign Subsidiaries if the Borrower or one of its Subsidiaries owned more than fifty percent (50)% of the outstanding Capital Stock of such entity) made after the date of this Agreement and prior to such date of determination pursuant to *Section 11.3(c)*.

"*Foreign Subsidiary*" means any Subsidiary that is not a Domestic Subsidiary.

"*GAAP*" means generally accepted accounting principles, as recognized by the American Institute of Certified Public Accountants and the Financial Accounting Standards Board, consistently applied and maintained on a consistent basis for the Borrower and its Subsidiaries throughout the period indicated and (subject to *Section 14.9*) consistent with the prior financial practice of the Borrower and its Subsidiaries.

"*Governmental Approvals*" means all authorizations, consents, approvals, permits, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

"*Governmental Authority*" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union, the European Central Bank, or the International Telecommunications Union).

"*Guaranty Agreement*" means the unconditional guaranty agreement dated as of the Original Closing Date, executed by the Subsidiary Guarantors in favor of the Prior Administrative Agent for the ratable benefit of itself and the Lenders, substantially in the form of *Exhibit H*, as amended, restated, supplemented or otherwise modified prior to the date hereof, as reaffirmed pursuant to the Reaffirmation Agreement and as amended, restated, supplemented or modified from time to time hereafter.

"*Guaranty Obligation*" means, with respect to the Borrower and its Subsidiaries, without duplication, any obligation, contingent or otherwise, of any such Person pursuant to which such Person has directly or indirectly guaranteed any Indebtedness of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of any such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness (whether arising by virtue of partnership arrangements, by agreement to keep well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (b) entered into for the purpose of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided*, that the term Guaranty Obligation shall not include endorsements for collection or deposit in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed equal to the lesser of the stated or determinable amount of the primary obligation or the maximum liability of the Person giving the Guaranty Obligation.

"*Hazardous Materials*" means any substances or materials (a) which are or become defined as hazardous wastes, hazardous substances, pollutants, contaminants, chemical substances or mixtures or toxic substances under any Environmental Law, (b) which are toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise harmful to human health or the environment and are or become regulated by any Governmental Authority, (c) the presence of which require investigation or remediation under any Environmental Law or common law, (d) the discharge or emission or release of which requires a permit or license under any Environmental Law or other Governmental Approval, (e) which are deemed to constitute a nuisance or a trespass which pose a health or safety hazard to Persons or neighboring properties, (f) which consist of underground or aboveground storage tanks, whether empty, filled or partially filled with any substance, or (g) which contain, without limitation, asbestos, polychlorinated biphenyls, urea formaldehyde foam insulation, petroleum hydrocarbons, petroleum derived substances or waste, crude oil, nuclear fuel, natural gas or synthetic gas.

"*Hedging Agreement*" means any agreement with respect to any Interest Rate Contract, forward rate agreement, commodity swap, forward foreign exchange agreement, currency swap agreement, cross-currency rate swap agreement, currency option agreement or other agreement or arrangement designed to alter the risks of any Person arising from fluctuations in interest rates, currency values or commodity prices, all as amended, restated, supplemented or otherwise modified from time to time.

"*Hedging Obligations*" means all existing or future payment and other obligations owing by the Borrower under any Hedging Agreement (which such Hedging Agreement is permitted hereunder) with any Person approved by the Administrative Agent.

"*Increase Notification*" means the written notice by the Borrower of its desire to increase the Term Loan Commitment pursuant to *Section 4.5*.

"*Increase Notification Date*" means the date on which the Increase Notification is received by the Administrative Agent.

"*Increasing Term Lenders*" has the meaning assigned thereto in *Section 4.5(b)*.

"*Indebtedness*" means, with respect to the Borrower and its Subsidiaries at any date and without duplication, the sum of the following calculated in accordance with GAAP:

- (a) all liabilities, obligations and indebtedness for borrowed money including, but not limited to, obligations evidenced by bonds, debentures, notes or other similar instruments of any such Person;
- (b) all obligations of the Borrower or any of its Subsidiaries to pay the deferred purchase price of property or services, to the extent classified as debt in accordance with GAAP (including, without limitation, all obligations under non-competition, earn-out or similar agreements), except Satellite Vendor Obligations and trade payables arising in the ordinary course of business not more than ninety (90) days past due;
- (c) the Attributable Indebtedness of the Borrower or any of its Subsidiaries with respect to the obligations of the Borrower or such Subsidiary in respect of Capital Leases and Synthetic Leases (regardless of whether accounted for as indebtedness under GAAP);
- (d) all Indebtedness of any third party secured by a Lien on any asset owned or being purchased by the Borrower or any of its Subsidiaries (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by the Borrower or any of its Subsidiaries or is limited in recourse;
- (e) all Guaranty Obligations of the Borrower or any of its Subsidiaries;
- (f) all obligations, contingent or otherwise, of the Borrower or any of its Subsidiaries relative to the face amount of letters of credit, whether or not drawn, including, without limitation, any Reimbursement Obligation, and banker's acceptances issued for the account of the Borrower or any of its Subsidiaries;
- (g) all obligations of the Borrower or any of its Subsidiaries to redeem, repurchase, exchange, defease or otherwise make payments in respect of Capital Stock of such Person; and
- (h) all Net Hedging Obligations.

For all purposes hereof, the Indebtedness of the Borrower or any of its Subsidiaries shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation, limited liability company or the equivalent thereof under the laws of a foreign jurisdiction) in which the Borrower or any of its Subsidiaries is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to the Borrower or any of its Subsidiaries.

"Indemnified Taxes" means Taxes and Other Taxes other than Excluded Taxes.

"Initial Delayed Draw Term Loan Funding Date" means a date selected by the Borrower on or after the date on which each condition described in Section 6.3 shall be satisfied or waived in accordance with Section 14.2; provided that in no event shall the Initial Delayed Draw Term Loan Funding Date occur (i) prior to January 2, 2008 or (ii) after the Delayed Draw Funding Deadline.

"Insurance and Condemnation Event" means the receipt by the Borrower or any of its Subsidiaries of any cash insurance proceeds or condemnation award payable by reason of theft, loss, physical destruction or damage, taking or similar event with respect to any of their respective property or assets.

"Interest Period" has the meaning assigned thereto in Section 5.1(b).

"Interest Rate Contract" means any interest rate swap agreement, interest rate cap agreement, interest rate floor agreement, interest rate collar agreement, interest rate option or any other agreement regarding the hedging of interest rate risk exposure executed in connection with hedging the interest rate exposure of any Person and any confirming letter executed pursuant to such agreement, all as amended, restated, supplemented or otherwise modified from time to time.

"ISP98" means the International Standby Practices (1998 Revision, effective January 1, 1999), International Chamber of Commerce Publication No. 590.

"Lender" means each Person executing this Agreement as a Lender set forth on the signature pages hereto and each Person that hereafter becomes a party to this Agreement as a Lender pursuant to Section 14.10.

"Lending Office" means, with respect to any Lender, the office of such Lender maintaining such Lender's Extensions of Credit.

"Letter of Credit" has the meaning assigned thereto in Section 3.1.

"Liberty Plan" means any pricing plans (whether or not called a Liberty Plan) that allows the subscriber to pre-pay for the service for the entire duration of the contract. For purposes of this Agreement, each renewal, extension, or increase in the pricing of an existing Liberty Plan will constitute a new Liberty Plan.

"LIBOR" means the rate of interest per annum determined on the basis of the rate for deposits in Dollars in minimum amounts of at least \$5,000,000 for a period equal to the applicable Interest Period which appears on the Telerate Page 3750 at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period (rounded upward, if necessary, to the nearest 1/100<sup>th</sup> of 1%). If, for any reason, such rate does not appear on Telerate Page 3750, then "LIBOR" shall be determined by the Administrative Agent to be the arithmetic average of the rate per annum at which deposits in Dollars in minimum amounts of at least \$5,000,000 would be offered to major banks in the London interbank market at approximately 11:00 a.m. (London time) two (2) Business Days prior to the first day of the applicable Interest Period for a period equal to such Interest Period. Each calculation by the Administrative Agent of LIBOR shall be conclusive and binding for all purposes, absent manifest error.

"LIBOR Rate" means a rate per annum (rounded upwards, if necessary, to the next higher 1/100th of 1%) determined by the Administrative Agent pursuant to the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

"LIBOR Rate Loan" means any Loan bearing interest at a rate based upon the LIBOR Rate as provided in Section 5.1(a).

"*License Subsidiary*" shall mean any single purpose Wholly-Owned Subsidiary of the Borrower or of another Subsidiary of the Borrower, the sole business and operations of which single purpose Subsidiary is to hold one or more Communications Licenses.

"*Lien*" means, with respect to any asset, any mortgage, leasehold mortgage, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, Capital Lease or other title retention agreement relating to such asset.

"*Liquidity*" means the sum of (a) unrestricted cash, cash equivalents and marketable securities held by any of the Credit Parties *plus* (b) the cash collateral pledged in connection with the Hedging Agreement with Wachovia Bank, NA *plus* (c) the unused portion of the Revolving Credit Commitment or the Delayed Draw Term Loan Commitment, calculated with the aggregate amount of all outstanding Revolving Credit Loans and Delayed Draw Term Loans, as of any date of determination constituting usage of the Revolving Credit Commitment or the Delayed Draw Term Loan Commitment (up to a maximum amount under this clause (c) of \$5,000,000); provided that funds held in the Escrow Account will not qualify as unrestricted cash, cash equivalents or marketable securities of the Credit Parties for purposes of the calculation of Liquidity under this Agreement unless such funds constitute Surplus Escrow Funds.

"*Loan Documents*" means, collectively, this Agreement, each Note, the Guaranty Agreement, the Security Documents and each other document, instrument, certificate and agreement executed and delivered by the Borrower or any Subsidiary thereof in connection with this Agreement or otherwise referred to herein or contemplated hereby, all as may be amended, restated, supplemented or otherwise modified from time to time.

"*Loans*" means the collective reference to the Revolving Credit Loans and the Term Loans and "Loan" means any of such Loans.

"*Material Adverse Effect*" means, with respect to the Borrower or any of its Subsidiaries, a material adverse effect on (a) the properties, business, operations or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole or (b) the ability of any such Person to perform its obligations under the Loan Documents to which it is a party; *provided*, that existing and future first-generation satellite constellation degradation or failure issues and the effects thereof on the Borrower and its Subsidiaries, taken individually or collectively, shall not constitute a Material Adverse Effect.

"*Material Communications License*" shall mean any Communications License, the loss, revocation, modification, non-renewal, suspension or termination of which, could be reasonably expected to have a Material Adverse Effect.

"*Material Contract*" means (a) any contract or other agreement, written or oral, of the Borrower or any of its Subsidiaries involving monetary liability of or to any such Person in an amount in excess of \$10,000,000 per annum, or (b) any other contract or agreement, written or oral, of the Borrower or any of its Subsidiaries the failure to comply with which could reasonably be expected to have a Material Adverse Effect but excluding in either case any contract or other agreement that the Borrower or such Subsidiary may terminate on less than ninety (90) days notice without material liability

"*Mortgages*" means the collective reference to each mortgage, deed of trust or other real property security document, encumbering all real property now or hereafter owned by the Borrower or any Subsidiary, in each case, in form and substance reasonably satisfactory to the Administrative Agent and executed by the Borrower or any Subsidiary in favor of the

Administrative Agent, for the ratable benefit of itself and the Lenders, as any such document may be amended, restated, supplemented or otherwise modified from time to time.

"*Moody's*" means Moody's Investors Service, Inc. and any successor thereto.

"*Multiemployer Plan*" means a "multiemployer plan" as defined in Section 4001(a)(3) of ERISA to which the Borrower or any ERISA Affiliate is making, or is accruing an obligation to make, or has accrued an obligation to make contributions within the preceding six (6) years.

"*Net Cash Proceeds*" means, as applicable, (a) with respect to any Asset Disposition, the gross cash proceeds received by the Borrower or any of its Subsidiaries less the sum of (i) all income taxes and other taxes assessed by a Governmental Authority as a result of such sale and any other commissions, fees (including legal and accounting fees) and expenses and similar costs incurred in connection therewith and (ii) the principal amount of, premium, if any, and interest on any Indebtedness secured by a Lien on the asset (or a portion thereof) sold, which Indebtedness is required to be repaid in connection with such sale, (b) with respect to any Equity Issuance or Debt Issuance, the gross cash proceeds received by the Borrower or any of its Subsidiaries therefrom less all legal, underwriting, placement agents and other commissions, discounts, premiums, fees and expenses incurred in connection therewith and (c) with respect to any Insurance and Condemnation Event, the gross cash proceeds received by the Borrower or any of its Subsidiaries less the sum of (i) all fees and expenses in connection therewith and (ii) the principal amount of, premium, if any, and interest on any Indebtedness secured by a Lien on the asset (or a portion thereof) subject to such Insurance and Condemnation Event, which Indebtedness is required to be repaid in connection therewith.

"*Net Hedging Obligations*" means, as of any date, the Termination Value of any such Hedging Agreement on such date.

"*New Term Lender*" has the meaning assigned thereto in Section 4.5(b).

"*Notes*" means the collective reference to the Revolving Credit Notes and the Term Notes.

"*Notice of Account Designation*" has the meaning assigned thereto in Section 2.3(b).

"*Notice of Borrowing*" has the meaning assigned thereto in Section 2.3(a).

"*Notice of Conversion/Continuation*" has the meaning assigned thereto in Section 5.2.

"*Notice of Prepayment*" has the meaning assigned thereto in Section 2.4(d).

"*Obligations*" means, in each case, whether now in existence or hereafter arising: (a) the principal of and interest on (including interest accruing after the filing of any bankruptcy or similar petition) the Loans, (b) all Hedging Obligations and (c) all other fees and commissions (including attorneys' fees), charges, indebtedness, loans, liabilities, financial accommodations, obligations, covenants and duties owing by the Borrower or any of its Subsidiaries to the Lenders or the Administrative Agent, in each case under any Loan Document or otherwise, with respect to any Loan of every kind, nature and description, direct or indirect, absolute or contingent, due or to become due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any note.

"*OFAC*" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"*Officer's Compliance Certificate*" means a certificate of the chief financial officer or the treasurer of the Borrower substantially in the form of **Exhibit F**.

"*Operating Lease*" means, as to any Person as determined in accordance with GAAP, any lease of property (whether real, personal or mixed) by such Person as lessee which is not a Capital Lease.

"Original Closing Date" means April 24, 2006.

"Other Taxes" means all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

"Participant" has the meaning assigned thereto in Section 14.10(d).

"PBGC" means the Pension Benefit Guaranty Corporation or any successor agency.

"Pension Plan" means any Employee Benefit Plan, other than a Multiemployer Plan, which is subject to the provisions of Title IV of ERISA or Section 412 of the Code and which (a) is maintained by the Borrower or any ERISA Affiliates or (b) has at any time within the preceding six (6) years been maintained by the Borrower or any of its current or former ERISA Affiliates.

"Permitted Acquisition" means any investment by the Borrower, any Subsidiary Guarantor or Globalstar Canada Satellite Co. in the form of acquisitions of all or substantially all of the business or a line of business (whether by the acquisition of Capital Stock, assets or any combination thereof) of any other Person if each such acquisition meets all of the following requirements:

(a) no less than fifteen (15) days prior to the proposed closing date (in the case where the Administrative Agent and the Required Lenders consent is required hereunder) or after the closing date (in the case where no consent is required) of such acquisition, the Borrower shall have delivered written notice of such acquisition to the Administrative Agent and the Lenders, which notice shall include the proposed closing date (or actual closing date, as applicable) of such acquisition;

(b) the Borrower shall have certified on or before the closing date of such acquisition, in writing and in a form reasonably acceptable to the Administrative Agent, that such acquisition has been approved by the board of directors or equivalent governing body of the Person to be acquired;

(c) the Person or business to be acquired shall be in a substantially similar line of business as the Borrower and its Subsidiaries pursuant to Section 11.12;

(d) if such transaction is a merger or consolidation, the Borrower or a Subsidiary Guarantor shall be the surviving Person and no Change in Control shall have been effected thereby;

(e) the Borrower shall have delivered to the Administrative Agent such documents reasonably requested by the Administrative Agent or the Required Lenders (through the Administrative Agent) pursuant to Section 9.11 to be delivered at the time required pursuant to Section 9.11;

(f) no Event of Default shall have occurred and be continuing both before and after giving effect to such acquisition;

(g) the Borrower shall have obtained the prior written consent of the Administrative Agent and the Required Lenders (such consent not to be unreasonably withheld or delayed) prior to the consummation of such acquisition if the Permitted Acquisition Consideration for all acquisitions (or series of related acquisitions), together with all other acquisitions consummated during the term of this Agreement exceeds \$25,000,000 in the aggregate (excluding any portion of such Permitted Acquisition Consideration consisting of Capital Stock of the Borrower); and

(h) the Borrower shall provide such other documents and other information as may be reasonably requested by the Administrative Agent or the Required Lenders (through the Administrative Agent) in connection with the acquisition.

"Permitted Acquisition Consideration" means the aggregate amount of the purchase price (including, but not limited to, any assumed debt, earn-outs (valued at the maximum amount payable thereunder), deferred payments, or Capital Stock of the Borrower, net of the applicable acquired company's cash (including investments of the type described in *Section 11.3(b)*) balance as shown on its most recent financial statements delivered in connection with the applicable Permitted Acquisition) to be paid on a singular basis in connection with any applicable Permitted Acquisition as set forth in the applicable Permitted Acquisition Documents executed by the Borrower or any of its Subsidiaries in order to consummate the applicable Permitted Acquisition.

"Permitted Acquisition Documents" means with respect to any acquisition proposed by the Borrower or any Subsidiary Guarantor, final copies or substantially final drafts if not executed at the required time of delivery of the purchase agreement, sale agreement, merger agreement or other agreement evidencing such acquisition, including, without limitation, all legal opinions and each other document executed, delivered, contemplated by or prepared in connection therewith and any amendment, modification or supplement to any of the foregoing.

"Permitted Holders" means (a) Thermo Capital Partners, LLC and (b) any other entity controlled by or under common control with (i) Thermo Capital Partners, LLC or (ii) James Monroe III, members of his immediate family and entities owned by them or trusts for their benefit.

"Permitted Joint Venture Investment" means any investment by the Borrower, any Subsidiary Guarantor or Globalstar Canada Satellite Co. in joint ventures and partnerships if each such investment meets all of the following requirements:

(a) no less than fifteen (15) days prior to the proposed closing date (in the case where the Administrative Agent and the Required Lenders consent is required hereunder) or after the closing date (in the case where no consent is required) of any such investment of more than \$1,000,000, the Borrower shall have delivered written notice of such acquisition to the Administrative Agent and the Lenders, which notice shall include the proposed closing date (or actual closing date, as applicable) of such investment;

(b) such joint venture or partnership shall be in a substantially similar line of business as the Borrower and its Subsidiaries pursuant to *Section 11.12*;

(c) the Borrower shall have delivered to the Administrative Agent such documents reasonably requested by the Administrative Agent or the Required Lenders (through the Administrative Agent) pursuant to *Section 9.11* to be delivered at the time required pursuant to *Section 9.11*;

(d) no Event of Default shall have occurred and be continuing both before and after giving effect to such investment;

(e) if such investment is as a general partner, such investment shall be made by a Subsidiary that has no assets other than such investment; and in any case, such investment shall not include or result in any contingent liabilities that could reasonably be expected to be material to the business, financial condition, operations or prospects of the Borrower and its Subsidiaries, taken as a whole;

(f) the Borrower shall have obtained the prior written consent of the Administrative Agent and the Required Lenders prior to the consummation of such investment if the amount (including all cash and non-cash consideration paid by or on behalf of the Borrower and its Subsidiaries in connection with such investment) of such investment (or series of related acquisitions), together with all other investments in joint ventures and partnerships

consummated during the term of this Agreement, exceeds \$30,000,000 in the aggregate (excluding any portion of such Investment consisting of Capital Stock of the Borrower).

"*Permitted Liens*" means the Liens permitted pursuant to *Section 11.2*.

"*Person*" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, governmental authority or other entity.

"*Prime Rate*" means, at any time, the rate of interest per annum published in The Wall Street Journal as the New York Prime Rate. Each change in the Prime Rate shall be effective as of the opening of business on the day such change in such prime rate occurs.

"*Prior Administrative Agent*" shall have the meaning assigned thereto in the statement of purpose.

"*Reaffirmation Agreement*" means the Reaffirmation Agreement, of even date herewith, among the Credit Parties and the Administrative Agent (for the ratable benefit of itself and the Lenders), substantially in the form of *Exhibit J*, as amended, restated, supplemented or otherwise modified from time to time.

"*Register*" has the meaning assigned thereto in *Section 14.10(c)*.

"*Related Parties*" means, with respect to any Person, such Person's Affiliates and the directors, officers, employees, agents and advisors of such Person and of such Person's Affiliates.

"*Required Lenders*" means, at any date, any combination of Lenders having more than fifty percent (50%) of the sum of (a) the aggregate amount of the Revolving Credit Commitment plus (b) the aggregate outstanding principal amount of the Term Loan (provided that, solely for the purposes of this definition, with respect to the Delayed Draw Term Loan, prior to the Delayed Draw Funding Date, the aggregate amount of the Delayed Draw Term Loan Commitment shall be deemed to be "outstanding"); *provided* that the Revolving Credit Commitment of, Delayed Draw Term Loan Commitment of, and the portion of the Extensions of Credit, as applicable, held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Required Lenders."

"*Responsible Officer*" means the chief executive officer, president, chief financial officer, controller, treasurer or assistant treasurer of a Credit Party or any other officer of a Credit Party reasonably acceptable to the Administrative Agent. Any document delivered hereunder that is signed by a Responsible Officer of a Credit Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Credit Party.

"*Revolving Credit Commitment*" means (a) as to any Revolving Credit Lender, the obligation of such Revolving Credit Lender to make Revolving Credit Loans to the account of the Borrower hereunder in an aggregate principal amount at any time outstanding not to exceed the amount set forth opposite such Revolving Credit Lender's name on the Register, as such amount may be reduced or modified at any time or from time to time pursuant to the terms hereof and (b) as to all Revolving Credit Lenders, the aggregate commitment of all Revolving Credit Lenders to make Revolving Credit Loans, as such amount may be reduced at any time or from time to time pursuant to the terms hereof. The Revolving Credit Commitment of all Revolving Credit Lenders on the Closing Date shall be \$50,000,000.

"*Revolving Credit Commitment Percentage*" means, as to any Revolving Lender at any time, the ratio of (a) the amount of the Revolving Credit Commitment of such Revolving Credit Lender to (b) the Revolving Credit Commitment of all the Revolving Credit Lenders.

"*Revolving Credit Facility*" means the revolving credit facility established pursuant to *Article II*.

"*Revolving Credit Lenders*" means Lenders with a Revolving Credit Commitment.

"*Revolving Credit Loan*" means any revolving loan made to the Borrower pursuant to *Section 2.1*, and all such revolving loans collectively as the context requires.

"*Revolving Credit Maturity Date*" means the earliest to occur of (a) December 31, 2012, (b) the date of termination of the entire Revolving Credit Commitment by the Borrower pursuant to *Section 2.5*, or (c) the date of termination of the Revolving Credit Commitment by the Administrative Agent on behalf of the Lenders pursuant to *Section 12.2(a)*.

"*Revolving Credit Note*" means a promissory note made by the Borrower in favor of a Lender evidencing the Revolving Credit Loans made by such Lender, substantially in the form of *Exhibit A-1*, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

"*S&P*" means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. and any successor thereto.

"*Sanctioned Entity*" shall mean (i) an agency of the government of, (ii) an organization directly or indirectly controlled by, or (iii) a person resident in a country that is subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/enforcement/ofac/sanctions/index.html>, or as otherwise published from time to time as such program may be applicable to such agency, organization or person.

"*Sanctioned Person*" shall mean a person named on the list of Specially Designated Nationals or Blocked Persons maintained by OFAC available at <http://www.treas.gov/offices/enforcement/ofac/sdn/index.html>, or as otherwise published from time to time.

"*Satellite*" shall mean any single geostationary or non-geostationary satellite, or group of substantially identical non-geostationary satellites, owned by, leased to or for which a contract to purchase has been entered into by, the Borrower or any of its Subsidiaries, whether such satellite is in the process of manufacture, has been delivered for launch or is in orbit (whether or not in operational service).

"*Satellite Agreement*" means the agreement between the Borrower and Thales Alenia Space (f/k/a Alcatel Alenia Space France) dated as of November 30, 2006.

"*Satellite Vendor Obligations*" means the obligations of the Borrower or any of its Subsidiaries to any Satellite or Satellite launch vendor or Affiliate thereof for the procurement, construction, launch and insurance of all or part of one or more Satellites or Satellite launches for such Satellites or a ground or in orbit spare intended for future use or associated improvements to the ground portion of the network of the Borrower and its Subsidiaries; *provided* that such obligation (a) is not evidenced by any promissory note and (b) is not secured by any Lien on any asset or property of the Borrower or any Subsidiary thereof other than the asset or personal property which is the subject of such obligation and/or the Escrow Account.

"*Second-Generation Satellites*" means the low-earth orbit satellites to be constructed by Thales Alenia Space.

"*Security Documents*" means the collective reference to the Collateral Agreement, the Mortgages, the Reaffirmation Agreement and each other agreement or writing pursuant to which any Credit Party purports to pledge or grant a security interest in any property or assets securing the Obligations or any such Person purports to guaranty the payment and/or performance of the Obligations, in each case, as amended, restated, supplemented or otherwise modified prior to the

date hereof, as reaffirmed pursuant by the Reaffirmation Agreement and as amended, restated, supplemented or modified from time to time hereafter.

"*Solvent*" means, as to any Credit Party on a particular date, that any such Person (a) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage and is able to pay its debts as they mature, (b) has assets having a value, both at fair valuation and at present fair saleable value, greater than the amount required to pay its probable liabilities (including contingencies), and (c) does not believe that it will incur debts or liabilities beyond its ability to pay such debts or liabilities as they mature.

"*Subordinated Indebtedness*" means the collective reference to any Indebtedness of the Borrower or any Subsidiary subordinated in right and time of payment to the Obligations and containing such other terms and conditions, in each case as are reasonably satisfactory to the Administrative Agent.

"*Subsequent Escrow Deposit*" means any deposit to the Escrow Account by the Borrower other than the initial deposit on December 21, 2006.

"*Subsidiary*" means as to any Person, any corporation, partnership, limited liability company or other entity of which more than fifty percent (50%) of the outstanding Capital Stock having ordinary voting power to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity is at the time owned by or the management is otherwise controlled by such Person (irrespective of whether, at the time, Capital Stock of any other class or classes of such corporation, partnership, limited liability company or other entity shall have or might have voting power by reason of the happening of any contingency). Unless otherwise qualified, references to "Subsidiary" or "Subsidiaries" herein shall refer to those of the Borrower.

"*Subsidiary Guarantors*" means each direct or indirect Domestic Subsidiary of the Borrower in existence on the Closing Date or which becomes a party to a Guaranty Agreement pursuant to *Section 9.11*.

"*Super Majority Lenders*" means, at any date, any combination of Lenders having more than (a) sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the aggregate amount of the Revolving Credit Commitment and (b) sixty-six and two-thirds percent ( $66\frac{2}{3}\%$ ) of the aggregate outstanding principal amount of the Term Loan (provided that, solely for the purposes of this definition, with respect to the Delayed Draw Term Loan, prior to the Delayed Draw Funding Date, the aggregate amount of the Delayed Draw Term Loan Commitment shall be deemed to be "outstanding"); *provided* that the Revolving Credit Commitment of, Delayed Draw Term Loan Commitment of, and the portion of the Extensions of Credit, as applicable, held or deemed held by, any Defaulting Lender shall be excluded for purposes of making a determination of Super Majority Lenders."

"*Surplus Escrow Funds*" means funds held in the Escrow Account which are available, pursuant to Section 2.1 of the Escrow Agreement, for disbursement to Thales in accordance with the terms of Section 2.1 for the payment of outstanding amounts which become due and payable by the Borrower under the Satellite Agreement.

"*Synthetic Lease*" means any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an Operating Lease in accordance with GAAP.

"*Taxes*" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

"Term Loan" means all Delayed Draw Term Loans and all Additional Term Loans.

"Term Loan Lender Addition and Acknowledgement Agreement" shall have the meaning assigned thereto in Section 4.5(d).

"Term Loan Commitment" means (a) as to any applicable Lender, (i) such Lender's Delayed Draw Term Loan Commitment or (ii) the obligation of such Lender to make a portion of the Additional Term Loans to the Borrower hereunder on the applicable Additional Term Loan Effective Date in an aggregate amount not to exceed the applicable amount set forth opposite such Lender's name on the Register, as such amount may be reduced or otherwise modified at any time as from time to time pursuant to the terms hereof and (b) as to all applicable Lenders, the aggregate commitment of all such Lenders to make the Delayed Draw Term Loan and/or Additional Term Loan hereunder on the Delayed Draw Term Loan Funding Date or the Additional Term Loan Effective Date, as applicable.

"Term Loan Facility" means the term loan facility established pursuant to Article IV.

"Term Loan Maturity Date" means the first to occur of (a) December 31, 2012 or (b) the date of termination by the Administrative Agent on behalf of the Lenders pursuant to Section 12.2(a). All Term Loan Commitments of the Lenders shall automatically and immediately terminate on the Term Loan Maturity Date.

"Term Loan Percentage" means, as to any Lender, the ratio of (a) the outstanding principal balance of the Term Loan held by such Lender to (b) the aggregate outstanding principal balance of the Term Loan held by all Lenders.

"Term Note" means a promissory note made by the Borrower in favor of a Lender evidencing the portion of the Term Loan made by such Lender, substantially in the form of **Exhibit A-3**, and any amendments, supplements and modifications thereto, any substitutes therefor, and any replacements, restatements, renewals or extension thereof, in whole or in part.

"Termination Event" means except for any such event or condition that could not reasonably be expected to have a Material Adverse Effect: (a) a "Reportable Event" described in Section 4043 of ERISA for which the notice requirement has not been waived by the PBGC, or (b) the withdrawal of the Borrower or any ERISA Affiliate from a Pension Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, or (c) the termination of a Pension Plan, the filing of a notice of intent to terminate a Pension Plan or the treatment of a Pension Plan amendment as a termination, under Section 4041 of ERISA, if the plan assets are not sufficient to pay all plan liabilities, or (d) the institution of proceedings to terminate, or the appointment of a trustee with respect to, any Pension Plan by the PBGC, or (e) any other event or condition which would constitute grounds under Section 4042(a) of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan, or (f) the imposition of a Lien pursuant to Section 412 of the Code or Section 302 of ERISA, or (g) the partial or complete withdrawal of the Borrower of any ERISA Affiliate from a Multiemployer Plan if withdrawal liability is asserted by such plan, or (h) any event or condition which results in the reorganization or insolvency of a Multiemployer Plan under Sections 4241 or 4245 of ERISA, or (i) any event or condition which results in the termination of a Multiemployer Plan under Section 4041A of ERISA or the institution by PBGC of proceedings to terminate a Multiemployer Plan under Section 4042 of ERISA.

"Termination Value" means, in respect of any one or more Hedging Agreements, after taking into account the effect of any legally enforceable netting agreement relating to such Hedging Agreements, (a) for any date on or after the date such Hedging Agreements have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a), the amount(s) determined as the

mark-to-market value(s) for such Hedging Agreements, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Hedging Agreements (which may include a Lender or any Affiliate of a Lender).

"*Thales*" means Thales Alenia Space, a company organized under the laws of France.

"*Transaction Costs*" means all transaction fees, charges and other amounts related to this Credit Facility or any transaction which, if consummated, would be a Permitted Acquisition or Permitted Joint Venture Investment (including, without limitation, any financing fees, merger and acquisition fees, legal fees and expenses, due diligence fees or any other fees and expenses in connection therewith), all such transaction fees as approved by the Administrative Agent, such approval not to be unreasonably withheld.

"*UCC*" means the Uniform Commercial Code as in effect in the State of New York, as amended or modified from time to time.

"*Uniform Customs*" means the Uniform Customs and Practice for Documentary Credits (1993 Revision), effective January, 1994 International Chamber of Commerce Publication No. 500.

"*United States*" means the United States of America.

"*Wholly-Owned*" means, with respect to a Subsidiary, that all of the shares of Capital Stock of such Subsidiary are, directly or indirectly, owned or controlled by the Borrower and/or one or more of its Wholly-Owned Subsidiaries (except for directors' qualifying shares or other shares required by Applicable Law to be owned by a Person other than the Borrower).

SECTION 1.2 *Other Definitions and Provisions.* With reference to this Agreement and each other Loan Document, unless otherwise specified herein or in such other Loan Document: (a) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined, (b) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms, (c) the words "*include*," "*includes*" and "*including*" shall be deemed to be followed by the phrase "without limitation," (d) the word "*will*" shall be construed to have the same meaning and effect as the word "shall," (e) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (f) any reference herein to any Person shall be construed to include such Person's successors and assigns, (g) the words "*herein*," "*hereof*" and "*hereunder*," and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (h) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (i) the words "*asset*" and "*property*" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights, (j) the term "*documents*" includes any and all instruments, documents, agreements, certificates, notices, reports, financial statements and other writings, however evidenced, whether in physical or electronic form, (k) in the computation of periods of time from a specified date to a later specified date, the word "*from*" means "*from and including*"; the words "*to*" and "*until*" each mean "*to but excluding*"; and the word "*through*" means "*to and including*," and (l) Section headings herein and in the other Loan Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Loan Document.

SECTION 1.3 *Accounting Terms.* All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a

manner consistent with that used in preparing the audited financial statements required by *Section 8.1(b)*, except as otherwise specifically prescribed herein.

**SECTION 1.4 UCC Terms.** Terms defined in the UCC in effect on the Closing Date and not otherwise defined herein shall, unless the context otherwise indicates, have the meanings provided by those definitions. Subject to the foregoing, the term "UCC" refers, as of any date of determination, to the UCC then in effect.

**SECTION 1.5 Rounding.** Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

**SECTION 1.6 References to Agreement and Laws.** Unless otherwise expressly provided herein, (a) references to formation documents, governing documents, agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Applicable Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Applicable Law.

**SECTION 1.7 Times of Day.** Unless otherwise specified, all references herein to times of day shall be references to Pacific time (daylight or standard, as applicable).

## ARTICLE II

### REVOLVING CREDIT FACILITY

**SECTION 2.1 Revolving Credit Loans.** Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties set forth herein, each Revolving Credit Lender severally agrees to make Revolving Credit Loans to the Borrower from time to time from the Closing Date through, but not including, the Revolving Credit Maturity Date as requested by the Borrower in accordance with the terms of *Section 2.3*; provided, that (a) the aggregate principal amount of all outstanding Revolving Credit Loans (after giving effect to any amount requested) shall not exceed the Revolving Credit Commitment and (b) the principal amount of outstanding Revolving Credit Loans from any Revolving Credit Lender to the Borrower shall not at any time exceed such Revolving Credit Lender's Revolving Credit Commitment. Each Revolving Credit Loan by a Revolving Credit Lender shall be in a principal amount equal to such Revolving Credit Lender's Revolving Credit Commitment Percentage of the aggregate principal amount of Revolving Credit Loans requested on such occasion. Subject to the terms and conditions hereof, the Borrower may borrow, repay and reborrow Revolving Credit Loans hereunder until the Revolving Credit Maturity Date.

**SECTION 2.2 [Intentionally Omitted].**

**SECTION 2.3 Procedure for Advances of Revolving Credit Loans.**

(a) **Requests for Borrowing.** The Borrower shall give the Administrative Agent irrevocable prior written notice substantially in the form of **Exhibit B** (a "Notice of Borrowing") not later than 11:00 a.m. (i) on the same Business Day as each Base Rate Loan and (ii) at least three (3) Business Days before each LIBOR Rate Loan, of its intention to borrow, specifying (A) the date of such borrowing, which shall be a Business Day, (B) the amount of such borrowing, which shall be, (x) with respect to Base Rate Loans in an aggregate principal amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof and (y) with respect to LIBOR Rate Loans in an aggregate principal amount of \$2,500,000 or a whole multiple of \$1,000,000 in excess thereof, (C) whether the Loans are to be LIBOR Rate Loans

or Base Rate Loans, and (D) in the case of a LIBOR Rate Loan, the duration of the Interest Period applicable thereto. A Notice of Borrowing received after 11:00 a.m. shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Lenders of each Notice of Borrowing.

(b) *Disbursement of Revolving Credit Loans.* Not later than 1:00 p.m. on the proposed borrowing date, each Lender will make available to the Administrative Agent, for the account of the Borrower, at the office of the Administrative Agent in funds immediately available to the Administrative Agent, such Lender's Revolving Credit Commitment Percentage of the Revolving Credit Loans to be made on such borrowing date. The Borrower hereby irrevocably authorizes the Administrative Agent to disburse the proceeds of each borrowing requested pursuant to this Section in immediately available funds by crediting or wiring such proceeds to the deposit account of the Borrower identified in the most recent notice substantially in the form of **Exhibit C** (a "Notice of Account Designation") delivered by the Borrower to the Administrative Agent or as may be otherwise agreed upon by the Borrower and the Administrative Agent from time to time. Subject to *Section 5.7* hereof, the Administrative Agent shall not be obligated to disburse the portion of the proceeds of any Revolving Credit Loan requested pursuant to this Section to the extent that any Lender has not made available to the Administrative Agent its Revolving Credit Commitment Percentage of such Revolving Credit Loan.

#### SECTION 2.4 *Repayment and Prepayment of Revolving Credit Loans.*

(a) *Repayment on Maturity Date.* The Borrower hereby agrees to repay the outstanding principal amount of all Revolving Credit Loans in full on the Revolving Credit Maturity Date with all accrued but unpaid interest thereon.

(b) *Mandatory Prepayments.* If at any time the outstanding principal amount of all Revolving Credit Loans exceeds the Revolving Credit Commitment (including, without limitation, as a result of any reduction in the Revolving Credit Commitment pursuant to *Section 4.4(b)(vi)*), the Borrower agrees to repay immediately, upon notice from the Administrative Agent, by payment to the Administrative Agent for the account of the Lenders, Extensions of Credit in an amount equal to such excess with each such repayment applied to the principal amount of outstanding Revolving Credit Loans.

(c) *Excess Proceeds.* If at any time excess proceeds remain after (i) the reduction of the Delayed Draw Term Loan Commitment pursuant to *Section 4.4(b)(i)* or *Section 4.4(b)(vi)(A)*, (ii) the prepayment of the Delayed Draw Term Loan pursuant to *Section 4.4(b)(i)* or *Section 4.4(b)(vi)(B)*, (iii) the prepayment of any Additional Term Loan pursuant to *Section 4.4(b)(vi)(C)* and (iii) the reduction of the Revolving Credit Commitment pursuant to *Section 4.4(b)(vi)(D)*, the Borrower agrees to repay immediately, upon notice from the Administrative Agent, by payment to the Administrative Agent for the account of the Lenders, outstanding Revolving Credit Loans (if any) in an amount equal to such Excess Proceeds (without any corresponding reduction in the aggregate amount of the Revolving Credit Commitment).

(d) *Optional Prepayments.* The Borrower may at any time and from time to time prepay Revolving Credit Loans, in whole or in part, with irrevocable prior written notice to the Administrative Agent substantially in the form of **Exhibit D** (a "Notice of Prepayment") given not later than 11:00 a.m. (i) on the same Business Day as the payment date for each Base Rate Loan and (ii) at least three (3) Business Days before the payment date for each LIBOR Rate Loan, specifying the date and amount of prepayment and whether the prepayment is of LIBOR Rate Loans, Base Rate Loans, or a combination thereof, and, if of a combination thereof, the amount allocable to each. Upon receipt of such notice, the Administrative Agent shall promptly notify each Lender. If any such notice is given, the amount specified in such notice shall be due and payable on the date set forth in such notice. Partial prepayments shall be in an aggregate amount of \$1,000,000 or a whole multiple of \$1,000,000 in excess thereof with respect to Base Rate Loans and \$2,500,000 or a whole multiple of \$1,000,000 in excess thereof with respect to LIBOR Rate Loans. A Notice of Prepayment received after 11:00 a.m. shall be deemed received on the next Business Day. Each such repayment shall be accompanied by any amount required to be paid pursuant to *Section 5.9* hereof.

(e) *Limitation on Prepayment of LIBOR Rate Loans.* The Borrower may not prepay any LIBOR Rate Loan on any day other than on the last day of the Interest Period applicable thereto unless such prepayment is accompanied by any amount required to be paid pursuant to *Section 5.9* hereof.

SECTION 2.5 *Permanent Reduction of the Revolving Credit Commitment.*

(a) *Voluntary Reduction.* The Borrower shall have the right at any time and from time to time, upon at least five (5) Business Days prior written notice to the Administrative Agent, to permanently reduce, without premium or penalty, (i) the entire Revolving Credit Commitment at any time or (ii) portions of the Revolving Credit Commitment, from time to time, in an aggregate principal amount not less than \$1,000,000 or any whole multiple of \$1,000,000 in excess thereof. Any reduction of the Revolving Credit Commitment shall be applied to the Revolving Credit Commitment of each Revolving Credit Lender according to its Revolving Credit Commitment Percentage. All commitment fees accrued until the effective date of any termination of the Revolving Credit Commitment shall be paid on the effective date of such termination.

(b) *Corresponding Payment.* Each permanent reduction permitted or required pursuant to this Section shall be accompanied by a payment of principal sufficient to reduce the aggregate outstanding Revolving Credit Loans after such reduction to the Revolving Credit Commitment as so reduced. Any reduction of the Revolving Credit Commitment to zero shall be accompanied by payment of all outstanding Revolving Credit Loans and shall result in the termination of the Revolving Credit Commitment and the Revolving Credit Facility. If the reduction of the Revolving Credit Commitment requires the repayment of any LIBOR Rate Loan, such repayment shall be accompanied by any amount required to be paid pursuant to *Section 5.9* hereof.

SECTION 2.6 *Termination of Revolving Credit Facility.* The Revolving Credit Facility shall terminate on the Revolving Credit Maturity Date.

ARTICLE III

*LETTER OF CREDIT FACILITY*

SECTION 3.1 *Letters of Credit.* Notwithstanding anything to the contrary herein, so long as no Default or Event of Default has occurred and is continuing, Borrower may cash collateralize up to \$20,000,000 in letters of credit (each a "*Letter of Credit*") or grant a bank issuing any Letter of Credit security and guarantees on a *pari passu* basis with the security granted to the Lenders under this Agreement.

ARTICLE IV

*TERM LOAN FACILITY*

SECTION 4.1 *Delayed Draw Term Loans.* Subject to the terms and conditions of this Agreement, each Lender with a Delayed Draw Term Loan Commitment severally agrees to make Delayed Draw Term Loans to the Borrower from time to time on or after the Initial Delayed Draw Term Loan Funding Date as requested by the Borrower in accordance with the terms of *Section 4.2*; *provided*, that (a) the aggregate principal amount of all outstanding Delayed Draw Term Loans (after giving effect to any amount requested) shall not exceed the Delayed Draw Term Loan Commitment and (b) the principal amount of outstanding Delayed Draw Term Loans from any Lender to the Borrower shall not at any time exceed such Lender's Delayed Draw Term Loan Commitment. If the Initial Delayed Draw Term Loan Funding Date shall not have occurred on or prior to the Delayed Draw Funding Deadline, the Delayed Draw Term Loan Commitment of each applicable Lender shall terminate on the Delayed Draw Funding Deadline.

#### SECTION 4.2 *Procedure for Advance of Delayed Draw Term Loans.*

(a) *Requests for Borrowing.* The Borrower shall give the Administrative Agent irrevocable Notice of Borrowing not later than 11:00 a.m. on the Initial Delayed Draw Term Loan Funding Date or any subsequent day prior to the Delayed Draw Funding Deadline requesting that the Lenders make a Delayed Draw Term Loan as a Base Rate Loan on such date (provided the Borrower may request, no later than three (3) days prior to the Initial Delayed Draw Term Loan Funding Date or any subsequent date of borrowing, that the Lender make a Delayed Draw Term Loan as a LIBOR Rate Loan), specifying (A) the date of such borrowing, which shall be a Business Day, (B) the amount of such borrowing, which shall be in an aggregate principal amount of \$25,000,000 or a whole multiple of \$1,000,000 in excess thereof (or, if less, the remaining undrawn amount of the Delayed Draw Term Loan Commitment, (C) whether the Loans are to be LIBOR Rate Loans or Base Rate Loans, and (D) in the case of a LIBOR Rate Loan, the duration of the Interest Period applicable thereto. A Notice of Borrowing received after 11:00 a.m. shall be deemed received on the next Business Day. Upon receipt of any such Notice of Borrowing from the Borrower, the Administrative Agent shall promptly notify each Lender thereof.

(b) *Disbursement of Revolving Credit Loans.* Not later than 1:00 p.m. on the Delayed Draw Term Loan Funding Date each applicable Lender will make available to the Administrative Agent for the account of the Borrower, at the Administrative Agent's Office in immediately available funds, the amount of such Delayed Draw Term Loan to be made by such Lender on such borrowing date. The Borrower hereby irrevocably authorizes the Administrative Agent to disburse the proceeds of a Delayed Draw Term Loan in immediately available funds by wire transfer to such Person or Persons as may be designated by the Borrower in writing.

#### SECTION 4.3 *Repayment of Term Loans.*

(a) *Delayed Draw Term Loans.* The Borrower hereby agrees to repay the outstanding principal amount of all Delayed Draw Term Loans with all accrued but unpaid interest thereon in full on the Term Loan Maturity Date.

(b) *Additional Term Loans.* The Borrower shall repay the aggregate outstanding principal amount of the Additional Term Loans (if any) in consecutive quarterly installments on the last Business Day of each of March, June, September and December commencing with the first full calendar quarter ending after the Additional Term Loan Effective Date, in the following amounts (which amounts shall be calculated on the Additional Term Loan Effective Date): (i) as of any fiscal quarter end prior to the fiscal quarter ending March 31, 2012, an amount equal to one quarter of one percent (0.250%) of the original principal amount of the Additional Term Loans and (ii) as of any fiscal quarter ending on or after March 31, 2012, equal ratable amounts for each remaining fiscal quarter to the Term Loan Maturity Date in an aggregate amount equal to the sum of (X) the original amount of the Additional Term Loans less (Y) the aggregate amount of all scheduled amortization payments made with respect to the Additional Term Loans (determined as of the Additional Term Loan Effective Date) prior to March 31, 2012 as provided in clause (i) of this *Section 4.3(c)*; provided that such amounts of individual installments may be adjusted pursuant to *Section 4.4*. If not sooner paid, the Additional Term Loans shall be paid in full, together with accrued interest thereon, on the Term Loan Maturity Date.

#### SECTION 4.4 *Prepayments of Term Loans.*

(a) *Optional Prepayments; Reductions of the Delayed Draw Term Loan Commitment.*

(i) The Borrower shall have the right at any time and from time to time, without premium or penalty, to prepay the Term Loan, in whole or in part, upon delivery to the Administrative Agent of a Notice of Prepayment not later than 11:00 a.m. (A) on the same Business Day as the prepayment of each Base Rate Loan and (B) at least three (3) Business Days before the prepayment of each LIBOR Rate Loan, specifying the date and amount of repayment and whether

the repayment is of LIBOR Rate Loans or Base Rate Loans or a combination thereof, and, if of a combination thereof, the amount allocable to each. Each optional prepayment of the Term Loan hereunder shall be in an aggregate principal amount of at least \$1,000,000 or any whole multiple of \$500,000 in excess thereof and shall be applied, *first* to reduce the outstanding Delayed Draw Term Loans and *second* to reduce on a *pro rata* basis, the remaining scheduled principal installments of the Additional Term Loans (if any) pursuant to *Section 4.3*. Each repayment shall be accompanied by any amount required to be paid pursuant to *Section 5.9* hereof. A Notice of Prepayment received after 11:00 a.m. shall be deemed received on the next Business Day. The Administrative Agent shall promptly notify the Lenders of each Notice of Prepayment.

(ii) The Borrower shall have the right at any time and from time to time, upon at least five (5) Business Days prior written notice to the Administrative Agent, to reduce permanently, without premium or penalty, (A) the entire Delayed Draw Term Loan Commitment at any time or (B) portions of the Delayed Draw Term Loan Commitment, from time to time, in an aggregate principal amount not less than \$1,000,000 or any whole multiple of \$1,000,000 in excess thereof. Any reduction of the Delayed Draw Term Loan Commitment pursuant to this *Section 4.4(a)(ii)* shall be applied to the Delayed Draw Term Loan Commitment of each Lender with a Delayed Draw Term Loan Commitment according to its Delayed Draw Term Loan Commitment Percentage. All commitment fees accrued until the effective date of any such reduction of the Delayed Draw Term Loan Commitment shall be paid on the effective date of such reduction.

(b) *Mandatory Prepayments; Commitment Reductions.*

(i) *Equity Issuances.* The Borrower shall prepay the Delayed Draw Term Loans (or, if applicable, the Delayed Draw Term Loan Commitment shall be permanently reduced) in an amount equal to fifty percent (50%) of the aggregate Net Cash Proceeds in excess of \$200,000,000 from one or a series of Equity Issuances by the Borrower or any of its Subsidiaries other than the exercise price on stock options issued as part of employee compensation. Such prepayment (or commitment reduction, as applicable) shall be made within three (3) Business Days after the date of receipt of the Net Cash Proceeds of any such transaction. Upon the occurrence of any Equity Issuance (other than any exercise of any stock option), the Borrower shall promptly deliver a Notice of Prepayment to the Administrative Agent and upon receipt of such notice, the Administrative Agent shall promptly so notify each Lender with a Delayed Draw Term Loan Commitment. Each prepayment (or commitment reduction, as applicable) under this *clause (i)* of this *Section 4.4(b)* shall be applied as follows: (A) *first*, if such prepayment occurs prior to the Initial Delayed Draw Term Loan Funding Date, to permanently reduce the unfunded Delayed Draw Term Loan Commitment, (B) *second*, if such prepayment occurs on or after the Initial Delayed Draw Term Loan Funding Date, to reduce the outstanding Delayed Draw Term Loans, and (C) *third* to the extent of any further excess, to repay outstanding Revolving Credit Loans (without any corresponding permanent reduction of the Revolving Credit Commitment) pursuant to *Section 2.4(c)*. Amounts prepaid under the Delayed Draw Term Loans pursuant to this *clause (i)* of this *Section 4.4 (b)* may not be reborrowed. Each prepayment of the Delayed Draw Term Loans pursuant to this *clause (i)* of this *Section 4.4(b)* shall be accompanied by any amount required to be paid pursuant to *Section 5.9*. Notwithstanding the foregoing, regardless of whether there are amounts outstanding under the Revolving Credit Facility, each Lender having a Delayed Draw Term Loan Commitment or outstanding Delayed Draw Term Loan shall have the right to refuse its *pro rata* share (based on its respective Commitment Percentage) of any such mandatory prepayment pursuant to this *clause (i)* of this *Section 4.4(b)* at which time the remaining amount shall be applied to repay outstanding Revolving Credit Loans (without any corresponding permanent reduction of the Revolving Credit Commitment) pursuant to *Section 2.4(c)*. Any amounts remaining after such repayment (if any) may be retained by the Borrower.

(ii) *Asset Dispositions.* The Borrower shall prepay the Loans (or, as applicable, the Delayed Draw Term Loan Commitment and/or the Revolving Credit Commitment shall be permanently reduced) in the manner and to the extent set forth in *clause (vi)* below in amounts equal to one hundred percent (100%) of the aggregate Net Cash Proceeds from any Asset Disposition by the Borrower or any of its Subsidiaries. Such prepayments (or commitment reductions, as applicable) shall be made within three (3) Business Days after receipt of the Net Cash Proceeds of any such transaction by the Borrower or any of its Subsidiaries; *provided* that, so long as no Default or Event of Default has occurred and is continuing, no prepayments or commitment reductions shall be required hereunder (A) in connection with such Asset Dispositions yielding less than \$500,000 in Net Cash Proceeds or (B) with respect to any such Net Cash Proceeds which are (1) reinvested within one year after receipt of such Net Cash Proceeds by such Person in replacement assets (useful to the business of the Borrower and its Subsidiaries as conducted in accordance with *Section 11.12*) or (2) committed (as evidenced by a contractual agreement for the purchase or acquisition of assets) within one year after receipt of such Net Cash Proceeds by such Person to be reinvested in the procurement or launch of a Satellite or Satellites acquired or planned to be acquired pursuant to the then current business plan of the Borrower.

(iii) *Insurance and Condemnation Events.* The Borrower shall prepay the Loans (or, as applicable, the Delayed Draw Term Loan Commitment and/or the Revolving Credit Commitment shall be permanently reduced) in the manner and to the extent set forth in *clause (vi)* below in amounts equal to one hundred percent (100%) of the aggregate Net Cash Proceeds from any Insurance and Condemnation Event and other extraordinary recoveries by the Borrower or any of its Subsidiaries. Such prepayments (or commitment reductions, as applicable) shall be made within three (3) Business Days after receipt of Net Cash Proceeds of any such transaction by the Borrower or any of its Subsidiaries; *provided* that, so long as no Default or Event of Default has occurred and is continuing, no prepayments or commitment reductions shall be required hereunder (A) in connection with such Insurance and Condemnation Event yielding less than \$500,000 in Net Cash Proceeds or (B) with respect to any such Net Cash Proceeds which are (1) reinvested within one year after receipt of such Net Cash Proceeds by such Person in replacement assets (useful to the business of the Borrower and its Subsidiaries as conducted in accordance with *Section 11.12*) or (2) committed (as evidenced by a contractual agreement for the purchase or acquisition of assets) within one year after receipt of such Net Cash Proceeds by such Credit Party to be reinvested in the procurement or launch of a Satellite or Satellites acquired or planned to be acquired to the then current business plan of the Borrower.

(iv) *Excess Cash Flow.* No later than one-hundred (100) days after the end of any Fiscal Year (commencing with the Fiscal Year ending December 31, 2010), the Borrower shall make mandatory principal prepayments of the Loans (or, as applicable, the Delayed Draw Term Loan Commitment shall be permanently reduced) in the manner and to the extent set forth in *clause (vi)* below in an amount equal to (A) seventy-five percent (75%) of Excess Cash Flow when the Consolidated Total Leverage Ratio as of the end of such Fiscal Year equals or exceeds 3.00 to 1.00, (B) fifty percent (50%) of Excess Cash Flow when the Consolidated Total Leverage Ratio as of the end of such Fiscal Year is less than 3.00 to 1.00, but greater than or equal to 2.00 to 1.00, and (C) zero percent (0%) of Excess Cash Flow when the Consolidated Total Leverage Ratio as of the end of such Fiscal Year is less than 2.00 to 1.00.

(v) *Notice; Manner of Payment.* Upon the occurrence of any event triggering the prepayment requirement under *clauses (ii)* through and including *(iv)* above, the Borrower shall promptly deliver a Notice of Prepayment to the Administrative Agent and upon receipt of such notice, the Administrative Agent shall promptly so notify the Lenders. Each prepayment (or commitment reductions, as applicable) under this Section shall be applied as follows: (A) *first*, if such prepayment occurs prior to the Initial Delayed Draw Term Loan Funding Date, to

permanently reduce the unfunded Delayed Draw Term Loan Commitment, (B) *second*, if such prepayment occurs on or after the Initial Delayed Draw Term Loan Funding Date, to reduce on a *pro rata* basis the Delayed Draw Term Loans pursuant to *Section 4.3*, (C) *third*, to the extent of any excess, to reduce on a *pro rata* basis the remaining scheduled principal installments of the Additional Term Loans (if any) pursuant to *Section 4.3*, (D) *fourth*, to the extent of any further excess (excluding any prepayment required pursuant to *Section 4.4(b)(iv)*, in which case, this *clause (D)* shall be skipped and the amount of such required prepayment shall constitute an excess amount subject to application in accordance with the following *clause (E)*), to permanently reduce the Revolving Credit Commitment until the Revolving Credit Commitment has been reduced to \$25,000,000 and (E) *fifth*, to the extent of any further excess, to repay outstanding Revolving Credit Loans (without any corresponding permanent reduction of the Revolving Credit Commitment), pursuant to *Section 2.4(c)*. Amounts prepaid under the Term Loan pursuant to this Section may not be reborrowed. Each prepayment shall be accompanied by any amount required to be paid pursuant to *Section 5.9*.

(vi) *Refusal of Payments*. Notwithstanding the foregoing, regardless of whether there are amounts outstanding under the Revolving Credit Facility, each Lender having a Term Loan Commitment or outstanding Term Loans shall have the right to refuse its *pro rata* share (based on its respective Commitment Percentage) of any such mandatory prepayment at which time the remaining amount shall be applied to the next tranche of the Credit Facility entitled to such mandatory prepayment in accordance with the preceding *clause (vi)*. Any amounts remaining after such repayment or commitment reduction (if any) may be retained by the Borrower.

#### SECTION 4.5 *Optional Increase In Term Loan Commitment*.

(a) Subject to the conditions set forth below, the Borrower shall have the option, exercisable on no more than three (3) occasions following the Closing Date until the Term Loan Maturity Date, to incur additional indebtedness under this Agreement in the form of an increase of the Term Loan Commitment by a principal amount of up to (i) the Additional Term Loan Limit less (ii) the aggregate principal amount of any prior increase to the Term Loan Commitment made pursuant to this Section. In the event the Borrower desires to exercise the above-described option, the Borrower shall deliver to the Administrative Agent an Increase Notification pursuant to which the Borrower may request that additional Term Loans be made on the Additional Term Loan Effective Date pursuant to such increase in the Term Loan Commitment (each such additional Term Loan, an "*Additional Term Loan*", and collectively, the "*Additional Term Loans*").

(b) Each Additional Term Loan shall be obtained from existing Lenders or from other banks, financial institutions or investment funds that qualify as Eligible Assignees, in each case in accordance with this Section. Participation in any Additional Term Loan shall be offered first to each of the existing Lenders; *provided* that no Lender shall have any obligation to provide any portion of such Additional Term Loans. If the amount of the Additional Term Loans requested by the Borrower shall exceed the commitments which the existing Lenders are willing to provide with respect to such Additional Term Loans, then the Borrower may invite other banks, financial institutions and investment funds which meet the requirements of an Eligible Assignee to join this Agreement as Lenders for the portion of such Additional Term Loans not committed to by existing Lenders (each such other bank, financial institution or investment fund, a "*New Term Lender*" and collectively with the existing Lenders providing increased Term Loan Commitments, the "*Increasing Term Lenders*"). The Administrative Agent is authorized to enter into, on behalf of the Lenders, any amendment to this Agreement or any other Loan Document as may be necessary to incorporate the terms of any Additional Term Loan herein or therein; *provided* that such amendment shall not modify this Agreement or any other Loan Document in any manner materially adverse to any Lender and shall otherwise be in accordance with *Section 14.2*.

(c) The following terms and conditions shall apply to each Additional Term Loan: (i) the Additional Term Loans made under this Section shall constitute Obligations of the Borrower and shall be secured and guaranteed with the other Extensions of Credit on a *pari passu* basis; (ii) any New Term Lender making Additional Term Loans shall be entitled to the same voting rights as the existing Lenders under the Term Loan Facility; (iii) the Borrower shall, upon the request of any Increasing Term Lender, execute such Term Loan Notes as are necessary to reflect such Increasing Term Lender's Additional Term Loans; (iv) the Administrative Agent and the Lenders shall have received from the Borrower an Officer's Compliance Certificate in form and substance satisfactory to the Administrative Agent, demonstrating that, after giving effect to any such Additional Term Loan, the Borrower will be in *pro forma* compliance with the financial covenants set forth in *Section 10.2*, *Section 10.3*, and *Section 10.5*; (v) no Default or Event of Default shall have occurred and be continuing hereunder as of the Additional Term Loan Effective Date or after giving effect to the making of any such Additional Term Loans; (vi) the representations and warranties contained in *Article VII* and in the other Loan Documents shall be true and correct on and as of the Additional Term Loan Effective Date with the same effect as if made on and as of such date (other than those representations and warranties that by their terms speak as of a particular date, which representations and warranties shall be true and correct as of such particular date); (vii) the amount of such increase in the Term Loan Commitment and any Additional Term Loans obtained thereunder shall not be less than a minimum principal amount of \$10,000,000, or any whole multiple of \$5,000,000 in excess thereof, or if less, the maximum amount permitted pursuant to clause (a) above; (viii) the Borrower and each Increasing Term Lender shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, a Term Loan Lender Addition and Acknowledgement Agreement; and (ix) the Administrative Agent shall have received any documents or information, including any joinder agreements, resolutions, certificates and legal opinions in connection with such increase in the Term Loan Commitment as it may reasonably request.

(d) Upon the execution, delivery, acceptance and recording of a written agreement (i) executed by the Borrower and each Increasing Term Lender and (ii) acknowledged by the Administrative Agent and each Subsidiary Guarantor, in form and substance satisfactory to the Administrative Agent (a "*Term Loan Lender Addition and Acknowledgement Agreement*"), from and after the applicable Additional Term Loan Effective Date, each Increasing Term Lender shall have a Term Loan Commitment as set forth in the Register and all the rights and obligations of a Lender with such a Term Loan Commitment hereunder. The Increasing Term Lenders shall make the Additional Term Loans to the Borrower on the Additional Term Loan Effective Date in an amount equal to each such Increasing Term Lender's commitment in respect of Additional Term Loans as agreed upon pursuant to subsection (b) above.

(e) The Administrative Agent shall maintain a copy of each Term Loan Lender Addition and Acknowledgement Agreement delivered to it in accordance with *Section 14.10(d)*.

(f) Within five (5) Business Days after receipt of notice, the Borrower shall execute and deliver to the Administrative Agent, in exchange for any surrendered Term Loan Note or Term Loan Notes of any existing Lender or with respect to any New Term Lender, a new Term Loan Note or Term Loan Notes to the order of the applicable Lenders in amounts equal to the Term Loan Commitment of such Lenders as set forth in the Register. Such new Term Loan Note or Term Loan Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such Term Loan Commitments, shall be dated as of the Additional Term Loan Effective Date and shall otherwise be in substantially the form of the existing Term Loan Notes. Each surrendered Term Loan Note and/or Term Loan Notes shall be canceled and returned to the Borrower.

(g) The Applicable Margin and pricing grid, if applicable, for the Additional Term Loans shall be determined on the applicable Additional Term Loan Effective Date; *provided* that if the all-in-yield, after giving effect to any offering of such proposed Additional Term Loan at a discount from par or

any fees paid to the Lenders in connection with such proposed Additional Term Loan (the "*All-in-Yield*"), exceeds the all-in-yield (as reasonably determined by the Administrative Agent) with respect to the Delayed Draw Term Loans or any existing Additional Term Loan by more than 0.25%, then the Applicable Margin or fees payable by the Borrowers with respect to the Delayed Draw Term Loans and/or such existing Additional Term Loan shall be increased to the extent necessary to cause the All-in-Yield with respect to the Delayed Draw Term Loan and/or such existing Additional Term Loans to be no more than 0.25% less than the All-in-Yield with respect to the proposed Additional Term Loan (the amount of such increase to be determined by the Administrative Agent, in accordance with the foregoing, as of the applicable Additional Term Loan Effective Date).

## ARTICLE V

### GENERAL LOAN PROVISIONS

#### SECTION 5.1 *Interest.*

(a) *Interest Rate Options.* Subject to the provisions of this Section, at the election of the Borrower, Revolving Credit Loans and the Term Loan shall bear interest at (i) the Base Rate *plus* the Applicable Margin or (ii) the LIBOR Rate *plus* the Applicable Margin. The Borrower shall select the rate of interest and Interest Period, if any, applicable to any Loan at the time a Notice of Borrowing is given or at the time a Notice of Conversion/Continuation is given pursuant to *Section 5.2*. Any Loan or any portion thereof as to which the Borrower has not duly specified an interest rate as provided herein shall be deemed a Base Rate Loan.

(b) *Interest Periods.* In connection with each LIBOR Rate Loan, the Borrower, by giving notice at the times described in *Section 2.3* or *5.2*, as applicable, shall elect an interest period (each, an "*Interest Period*") to be applicable to such Loan, which Interest Period shall be a period of one (1), two (2), three (3), or six (6) months; *provided that*:

(i) the Interest Period shall commence on the date of advance of or conversion to any LIBOR Rate Loan and, in the case of immediately successive Interest Periods, each successive Interest Period shall commence on the date on which the immediately preceding Interest Period expires;

(ii) if any Interest Period would otherwise expire on a day that is not a Business Day, such Interest Period shall expire on the next succeeding Business Day; *provided*, that if any Interest Period with respect to a LIBOR Rate Loan would otherwise expire on a day that is not a Business Day but is a day of the month after which no further Business Day occurs in such month, such Interest Period shall expire on the immediately preceding Business Day;

(iii) any Interest Period with respect to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the relevant calendar month at the end of such Interest Period;

(iv) no Interest Period shall extend beyond the Revolving Credit Maturity Date or the Term Loan Maturity Date, as applicable, and Interest Periods shall be selected by the Borrower so as to permit the Borrower to make the quarterly principal installment payments pursuant to *Section 4.3* without payment of any amounts pursuant to *Section 5.9*; and

(v) there shall be no more than eight (8) Interest Periods in effect at any time.

(c) *Default Rate.* Subject to *Section 12.3*, (i) immediately upon the occurrence and during the continuance of an Event of Default under *Section 12.1(a)*, *(b)*, *(j)* or *(k)*, or (ii) at the election of the Required Lenders, upon the occurrence and during the continuance of any other Event of Default, (A) the Borrower shall no longer have the option to request LIBOR Rate Loans, (B) all outstanding

LIBOR Rate Loans shall bear interest at a rate per annum of two percent (2%) in excess of the rate then applicable to LIBOR Rate Loans until the end of the applicable Interest Period and thereafter at a rate equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans, and (C) all outstanding Base Rate Loans and other Obligations arising hereunder or under any other Loan Document shall bear interest at a rate per annum equal to two percent (2%) in excess of the rate then applicable to Base Rate Loans or such other Obligations arising hereunder or under any other Loan Document. Interest shall continue to accrue on the Obligations after the filing by or against the Borrower of any petition seeking any relief in bankruptcy or under any act or law pertaining to insolvency or debtor relief, whether state, federal or foreign.

(d) *Interest Payment and Computation.* Interest on each Base Rate Loan shall be due and payable in arrears on the last Business Day of each calendar quarter commencing December 31, 2007; and interest on each LIBOR Rate Loan shall be due and payable in arrears on the last day of each Interest Period applicable thereto, and if such Interest Period extends over three (3) months, at the end of each three (3) month interval during such Interest Period. Interest on LIBOR Rate Loans and all fees payable hereunder shall be computed on the basis of a 360-day year and assessed for the actual number of days elapsed and interest on Base Rate Loans shall be computed on the basis of a 365/366-day year and assessed for the actual number of days elapsed.

(e) *Maximum Rate.* In no contingency or event whatsoever shall the aggregate of all amounts deemed interest under this Agreement charged or collected pursuant to the terms of this Agreement exceed the highest rate permissible under any Applicable Law which a court of competent jurisdiction shall, in a final determination, deem applicable hereto. In the event that such a court determines that the Lenders have charged or received interest hereunder in excess of the highest applicable rate, the rate in effect hereunder shall automatically be reduced to the maximum rate permitted by Applicable Law and the Lenders shall at the Administrative Agent's option (i) promptly refund to the Borrower any interest received by the Lenders in excess of the maximum lawful rate or (ii) apply such excess to the principal balance of the Obligations on a pro rata basis. It is the intent hereof that the Borrower not pay or contract to pay, and that neither the Administrative Agent nor any Lender receive or contract to receive, directly or indirectly in any manner whatsoever, interest in excess of that which may be paid by the Borrower under Applicable Law.

SECTION 5.2 *Notice and Manner of Conversion or Continuation of Loans.* Provided that no Default or Event of Default has occurred and is then continuing, the Borrower shall have the option to (a) convert at any time all or any portion of any outstanding Base Rate Loans in a principal amount equal to \$5,000,000 or any whole multiple of \$1,000,000 in excess thereof into one or more LIBOR Rate Loans and (b) upon the expiration of any Interest Period, (i) convert all or any part of its outstanding LIBOR Rate Loans in a principal amount equal to \$3,000,000 or a whole multiple of \$1,000,000 in excess thereof into Base Rate Loans or (ii) continue such LIBOR Rate Loans as LIBOR Rate Loans. Whenever the Borrower desires to convert or continue Loans as provided above, the Borrower shall give the Administrative Agent irrevocable prior written notice in the form attached as *Exhibit E* (a "Notice of Conversion/Continuation") not later than 11:00 a.m. three (3) Business Days before the day on which a proposed conversion or continuation of such Loan is to be effective specifying (A) the Loans to be converted or continued, and, in the case of any LIBOR Rate Loan to be converted or continued, the last day of the Interest Period therefor, (B) the effective date of such conversion or continuation (which shall be a Business Day), (C) the principal amount of such Loans to be converted or continued, and (D) the Interest Period to be applicable to such converted or continued LIBOR Rate Loan. The Administrative Agent shall promptly notify the Lenders of such Notice of Conversion/Continuation.

SECTION 5.3 *Fees.*

(a) *Revolving Credit Facility Commitment Fee.* Commencing on the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Revolving Credit Lenders, a non-refundable commitment fee at a rate per annum equal to the Applicable Margin on the daily unused portion of the Revolving Credit Commitment. The commitment fee shall be payable in arrears on the last Business Day of each calendar quarter during the term of this Agreement commencing December 31, 2007 and ending on the Revolving Credit Maturity Date. Such commitment fee shall be distributed by the Administrative Agent to the Revolving Credit Lenders *pro rata* in accordance with the Lenders' respective Revolving Credit Commitment Percentages.

(b) *Delayed Draw Term Loan Commitment Fee.* Commencing on the Closing Date, the Borrower shall pay to the Administrative Agent, for the account of the Lenders with a Delayed Draw Term Loan Commitment, a non-refundable commitment fee at a rate per annum equal to the Applicable Margin on the average daily unused portion of the Delayed Draw Term Loan Commitment. The commitment fee shall be payable in arrears on the last Business Day of each calendar quarter during the period commencing on the Closing Date and ending on the earlier to occur of (A) the Initial Delayed Draw Term Loan Funding Date and (B) the Delayed Draw Funding Deadline. Such commitment fee shall be distributed by the Administrative Agent to the Lenders with a Delayed Draw Term Loan Commitment *pro rata* in accordance with such Lenders' respective Delayed Draw Term Loan Percentages.

SECTION 5.4 *Manner of Payment.* Each payment by the Borrower on account of the principal of or interest on the Loans or of any fee, commission or other amounts (including the Reimbursement Obligation) payable to the Lenders under this Agreement shall be made not later than 1:00 p.m. on the date specified for payment under this Agreement to the Administrative Agent at the Administrative Agent's Office for the account of the applicable Lenders (other than as set forth below) *pro rata* in accordance with their respective applicable Commitment Percentages, (except as specified below), in Dollars, in immediately available funds and shall be made without any set-off, counterclaim or deduction whatsoever. Any payment received after such time but before 2:00 p.m. on such day shall be deemed a payment on such date for the purposes of *Section 12.1*, but for all other purposes shall be deemed to have been made on the next succeeding Business Day. Any payment received after 2:00 p.m. shall be deemed to have been made on the next succeeding Business Day for all purposes. Upon receipt by the Administrative Agent of each such payment, the Administrative Agent shall distribute to each Lender at its address for notices set forth herein its *pro rata* share of such payment in accordance with such Lender's applicable Commitment Percentage, (except as specified below) and shall wire advice of the amount of such credit to each Lender. Each payment to the Administrative Agent of Administrative Agent's fees or expenses shall be made for the account of the Administrative Agent and any amount payable to any Lender under *Sections 5.9, 5.10, 5.11 or 14.3* shall be paid to the Administrative Agent for the account of the applicable Lender. Subject to *Section 5.1(b)(ii)* if any payment under this Agreement shall be specified to be made upon a day which is not a Business Day, it shall be made on the next succeeding day which is a Business Day and such extension of time shall in such case be included in computing any interest if payable along with such payment.

SECTION 5.5 *Evidence of Indebtedness; Extensions of Credit.* The Extensions of Credit made by each Lender shall be evidenced by one or more accounts or records maintained by such Lender and by the Administrative Agent in the ordinary course of business. The accounts or records maintained by the Administrative Agent and each Lender shall be conclusive absent manifest error of the amount of the Extensions of Credit made by the Lenders to the Borrower and the interest and payments thereon. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Borrower hereunder to pay any amount owing with respect to the Obligations. In the event of any conflict between the accounts and records maintained by any Lender and the accounts and records of the Administrative Agent in respect of such matters, the accounts and records of the Administrative Agent shall control in the absence of manifest error. Upon the request of any Lender made through the Administrative Agent, the Borrower shall execute and deliver to such Lender (through the Administrative Agent) a Revolving Credit Note and/or Term Note, as applicable, which shall evidence such Lender's Revolving Credit Loans and/or Term Loan, as applicable, in addition to such accounts or records. Each Lender may attach schedules to its Notes and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

SECTION 5.6 *Adjustments.* If any Lender shall, by exercising any right of setoff or counterclaim or otherwise, obtain payment in respect of any principal of or interest on any of its Loans or other obligations hereunder resulting in such Lender's receiving payment of a proportion of the aggregate amount of its Loans and accrued interest thereon or other such obligations (other than pursuant to *Sections 5.9, 5.10, 5.11 or 14.3* hereof) greater than its *pro rata* share thereof as provided herein, then the Lender receiving such greater proportion shall (a) notify the Administrative Agent of such fact, and (b) purchase (for cash at face value) participations in the Loans and such other obligations of the other Lenders, or make such other adjustments as shall be equitable, so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Loans and other amounts owing them; *provided that*

(a) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and

(b) the provisions of this paragraph shall not be construed to apply to (x) any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or (y) any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans to any assignee or participant, other than to the Borrower or any Subsidiary thereof (as to which the provisions of this paragraph shall apply).

Each Credit Party consents to the foregoing and agrees, to the extent it may effectively do so under Applicable Law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against each Credit Party rights of setoff and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of each Credit Party in the amount of such participation.

SECTION 5.7 *Nature of Obligations of Lenders Regarding Extensions of Credit; Assumption by the Administrative Agent.* The obligations of the Lenders under this Agreement to make the Loans are several and are not joint or joint and several. Unless the Administrative Agent shall have received notice from a Lender prior to a proposed borrowing date that such Lender will not make available to the Administrative Agent such Lender's ratable portion of the amount to be borrowed on such date (which notice shall not release such Lender of its obligations hereunder), the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the proposed borrowing date in accordance with *Sections 2.3(b) and 4.2*, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If such amount is made available to the Administrative Agent on a date after such borrowing date, such Lender shall pay to the Administrative Agent on demand an amount, until paid, equal to the

product of (a) the amount not made available by such Lender in accordance with the terms hereof, *times* (b) the daily average Federal Funds Rate during such period as determined by the Administrative Agent, *times* (c) a fraction the numerator of which is the number of days that elapse from and including such borrowing date to the date on which such amount not made available by such Lender in accordance with the terms hereof shall have become immediately available to the Administrative Agent and the denominator of which is 360. A certificate of the Administrative Agent with respect to any amounts owing under this Section shall be conclusive, absent manifest error. If such Lender's Commitment Percentage of such borrowing is not made available to the Administrative Agent by such Lender within three (3) Business Days after such borrowing date, the Administrative Agent shall be entitled to recover such amount made available by the Administrative Agent with interest thereon at the rate per annum applicable to Base Rate Loans hereunder, on demand, from the Borrower. The failure of any Lender to make available its Commitment Percentage of any Loan requested by the Borrower shall not relieve it or any other Lender of its obligation, if any, hereunder to make its Commitment Percentage of such Loan available on the borrowing date, but no Lender shall be responsible for the failure of any other Lender to make its Commitment Percentage of such Loan available on the borrowing date.

#### SECTION 5.8 *Changed Circumstances.*

(a) *Circumstances Affecting LIBOR Rate Availability.* If with respect to any Interest Period the Administrative Agent or any Lender (after consultation with the Administrative Agent) shall determine that, by reason of circumstances affecting the foreign exchange and interbank markets generally, deposits in eurodollars, in the applicable amounts are not being quoted via the Telerate Page 3750 or offered to major banks in the London interbank market for such Interest Period, then the Administrative Agent shall forthwith give notice thereof to the Borrower. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, the obligation of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan to or continue any Loan as a LIBOR Rate Loan shall be suspended, and the Borrower shall repay in full (or cause to be repaid in full) the then outstanding principal amount of each such LIBOR Rate Loan together with accrued interest thereon, on the last day of the then current Interest Period applicable to such LIBOR Rate Loan or convert the then outstanding principal amount of each such LIBOR Rate Loan to a Base Rate Loan as of the last day of such Interest Period.

(b) *Laws Affecting LIBOR Rate Availability.* If, after the date hereof, the introduction of, or any change in, any Applicable Law or any change in the interpretation or administration thereof by any Governmental Authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any of the Lenders (or any of their respective Lending Offices) with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank or comparable agency, shall make it unlawful or impossible for any of the Lenders (or any of their respective Lending Offices) to honor its obligations hereunder to make or maintain any LIBOR Rate Loan, such Lender shall promptly give notice thereof to the Administrative Agent and the Administrative Agent shall promptly give notice to the Borrower and the other Lenders. Thereafter, until the Administrative Agent notifies the Borrower that such circumstances no longer exist, (i) the obligations of the Lenders to make LIBOR Rate Loans and the right of the Borrower to convert any Loan or continue any Loan as a LIBOR Rate Loan shall be suspended and thereafter the Borrower may select only Base Rate Loans hereunder, and (ii) if any of the Lenders may not lawfully continue to maintain a LIBOR Rate Loan to the end of the then current Interest Period applicable thereto as a LIBOR Rate Loan, the applicable LIBOR Rate Loan shall immediately be converted to a Base Rate Loan for the remainder of such Interest Period.

SECTION 5.9 *Indemnity.* The Borrower hereby indemnifies each of the Lenders against any loss or expense which may arise or be attributable to each Lender's obtaining, liquidating or employing deposits or other funds acquired to effect, fund or maintain any Loan (a) as a consequence of any

failure by the Borrower to make any payment when due of any amount due hereunder in connection with a LIBOR Rate Loan, (b) due to any failure of the Borrower to borrow, continue or convert on a date specified therefor in a Notice of Borrowing or Notice of Conversion/Continuation or (c) due to any payment, prepayment or conversion of any LIBOR Rate Loan on a date other than the last day of the Interest Period therefor. The amount of such loss or expense shall be determined, in the applicable Lender's sole discretion, based upon the assumption that such Lender funded its Commitment Percentage of the LIBOR Rate Loans in the London interbank market and using any reasonable attribution or averaging methods which such Lender deems appropriate and practical. A certificate of such Lender setting forth the basis for determining such amount or amounts necessary to compensate such Lender shall be forwarded to the Borrower through the Administrative Agent and shall be conclusively presumed to be correct save for manifest error.

SECTION 5.10 *Increased Costs.*

(a) *Increased Costs Generally.* If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, any Lender (except any reserve requirement reflected in the LIBOR Rate);

(ii) subject any Lender to any tax of any kind whatsoever with respect to this Agreement or any LIBOR Rate Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Indemnified Taxes or Other Taxes covered by *Section 5.11* and the imposition of, or any change in the rate of any Excluded Tax payable by such Lender); or

(iii) impose on any Lender or the London interbank market any other condition, cost or expense affecting this Agreement or LIBOR Rate Loans made by such Lender;

and the result of any of the foregoing shall be to increase the cost to such Lender of making, converting into or maintaining any LIBOR Rate Loan (or of maintaining its obligation to make any such Loan), or to reduce the amount of any sum received or receivable by such Lender hereunder (whether of principal, interest or any other amount) then, upon written request of such Lender, the Borrower shall promptly pay to any such Lender, as the case may be, such additional amount or amounts as will compensate such Lender for such additional costs incurred or reduction suffered.

(b) *Capital Requirements.* If any Lender determines that any Change in Law affecting such Lender or any lending office of such Lender or such Lender's holding company, if any, regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's capital or on the capital of such Lender's holding company, if any, as a consequence of this Agreement, the Revolving Credit Commitment of such Lender or the Loans made by such Lender to a level below that which such Lender or such Lender's holding company could have achieved but for such Change in Law (taking into consideration such Lender's policies and the policies of such Lender's holding company with respect to capital adequacy), then from time to time upon written request of such Lender the Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender's holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of a Lender setting forth the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the Borrower shall be conclusive absent manifest error. The Borrower shall pay such Lender, as the case may be, the amount shown as due on any such certificate within ten (10) days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of any Lender to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's right to demand such

compensation; *provided* that the Borrower shall not be required to compensate a Lender pursuant to this Section for any increased costs incurred or reductions suffered more than six (6) months prior to the date that such Lender notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's intention to claim compensation therefor (except that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof).

#### SECTION 5.11 *Taxes.*

(a) *Payments Free of Taxes.* Any and all payments by or on account of any obligation of the Borrower hereunder or under any other Loan Document shall be made free and clear of and without reduction or withholding for any Indemnified Taxes or Other Taxes; *provided* that if the Borrower shall be required by Applicable Law to deduct any Indemnified Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) *Payment of Other Taxes by the Borrower.* Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) *Indemnification by the Borrower.* The Borrower shall indemnify the Administrative Agent, each Lender, within ten (10) days after demand therefor, for the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Administrative Agent, such Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) *Evidence of Payments.* As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) *Status of Lenders.* Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is resident for tax purposes, or any treaty to which such jurisdiction is a party, with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by Applicable Law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Without limiting the generality of the foregoing, in the event that the Borrower is a resident for tax purposes in the United States, any Foreign Lender shall deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such

Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent, but only if such Foreign Lender is legally entitled to do so), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate to the effect that such Foreign Lender is not (A) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (B) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Code, or (C) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (y) duly completed copies of Internal Revenue Service Form W-8BEN, or

(iv) any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in United States Federal withholding tax duly completed together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower to determine the withholding or deduction required to be made.

(f) *Treatment of Certain Refunds.* If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section, it shall pay to the Borrower an amount equal to such refund (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent, such Lender, as the case may be, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); *provided* that the Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require the Administrative Agent or such Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(g) *Survival.* Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section shall survive the payment in full of the Obligations and the termination of the Revolving Credit Commitment.

#### SECTION 5.12 *Mitigation Obligations; Replacement of Lenders.*

(a) *Designation of a Different Lending Office.* If any Lender requests compensation under *Section 5.10*, or requires the Borrower to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to *Section 5.11*, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to *Section 5.10* or *Section 5.11*, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) *Replacement of Lenders.* If any Lender requests compensation under *Section 5.10*, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to *Section 5.11*, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in, and consents required by, *Section 14.10*), all of its interests, rights and obligations under this Agreement and the related Loan Documents to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); *provided that*

(i) the Borrower shall have paid to the Administrative Agent the assignment fee specified in *Section 14.10*,

(ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder and under the other Loan Documents (including any amounts under *Section 5.9*) from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts),

(iii) in the case of any such assignment resulting from a claim for compensation under *Section 5.10* or payments required to be made pursuant to *Section 5.11*, such assignment will result in a reduction in such compensation or payments thereafter, and

(iv) such assignment does not conflict with Applicable Law.

A Lender shall not be required to make any such assignment or delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 5.13 *Security.* The Obligations of the Borrower shall be secured as provided in the Security Documents.

## ARTICLE VI

### *CLOSING; CONDITIONS OF CLOSING AND BORROWING*

SECTION 6.1 *Closing.* The closing shall take place at the offices of \_\_\_\_\_ at 10:00 a.m. on December \_\_\_\_\_, 2007, or on such other place, date and time as the parties hereto shall mutually agree.

SECTION 6.2 *Conditions to Closing and Funding of the Initial Extensions of Credit.* The obligation of the Lenders to close this Agreement and to fund the initial Revolving Credit Loans to be made on or after the Closing Date, if any, is subject to the satisfaction of each of the following conditions:

(a) *Executed Loan Documents.* This Agreement, a Revolving Credit Note in favor of each Lender requesting a Revolving Credit Note, a Term Note in favor of each Lender requesting a Term Note, and the Reaffirmation Agreement, together with any other applicable Loan Documents, shall have been duly authorized, executed and delivered to the Administrative Agent by the parties thereto, shall be in full force and effect and no Default or Event of Default shall exist hereunder or thereunder.

(b) *Closing Certificates; Etc.* The Administrative Agent shall have received each of the following in form and substance reasonably satisfactory to the Administrative Agent:

(i) *Officer's Certificate of the Borrower.* A certificate from a Responsible Officer of the Borrower to the effect that, as of the Closing Date, all representations and warranties of the

Credit Parties contained in this Agreement and the other Loan Documents are true, correct and complete in all material respects (*provided* that any representation or warranty that is qualified by materiality or by reference to Material Adverse Effect shall be true, correct and complete in all respects); that none of the Credit Parties is in violation of any of the covenants contained in this Agreement and the other Loan Documents; that, after giving effect to the transactions contemplated by this Agreement, no Default or Event of Default has occurred and is continuing; and that each of the Credit Parties, as applicable, has satisfied each of the conditions set forth in *Section 6.2* and *Section 6.4*.

(ii) *Certificate of Secretary of each Credit Party.* A short-form certificate of a Responsible Officer of each Credit Party certifying as to the incumbency and genuineness of the signature of each officer of such Credit Party executing Loan Documents to which it is a party, certifying that the articles of incorporation or formation and bylaws or other governing document of such Credit Party delivered pursuant to the Existing Facility continue unchanged (or, if applicable, specifying the nature of any changes thereto) and remain in full force and effect as of the date hereof, and certifying that attached thereto is a true, correct and complete copy of (A) resolutions duly adopted by the board of directors or other governing body of such Credit Party authorizing the transactions contemplated hereunder and the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, and (B) each certificate required to be delivered pursuant to *Section 6.2(b)(iii)*.

(iii) *Certificates of Good Standing.* Certificates as of a recent date of the good standing of each Credit Party under the laws of its jurisdiction of organization and, to the extent requested by the Administrative Agent, each other jurisdiction where such Credit Party is qualified to do business.

(iv) *Opinions of Counsel.* Favorable opinions of counsel to the Credit Parties addressed to the Administrative Agent and the Lenders with respect to the Credit Parties, the Loan Documents and such other matters as the Administrative Agent shall reasonably request, including, without limitation, FCC matters.

(c) *Personal Property Collateral.*

(i) *Filings and Recordings.* The Administrative Agent shall have received all filings and recordings required by the Security Documents that are necessary to perfect the security interests of the Administrative Agent, on behalf of itself and the Lenders, in the Collateral and the Administrative Agent shall have received evidence reasonably satisfactory to the Administrative Agent that upon such filings and recordings such security interests constitute valid and perfected first priority Liens thereon, to the extent Liens can be perfected by such filings and recordings.

(ii) *Pledged Collateral.* The Administrative Agent shall have received (A) original stock certificates or other certificates evidencing the Capital Stock pledged pursuant to the Security Documents, together with an undated stock power for each such certificate duly executed in blank by the registered owner thereof and (B) each original promissory note pledged pursuant to the Security Documents.

(iii) *Lien Search.* The Administrative Agent shall have received the results of a Lien search (including a search as to judgments, pending litigation and tax matters), in form and substance reasonably satisfactory thereto, made against the Credit Parties under the Uniform Commercial Code (or applicable judicial docket) as in effect in any state in which any material assets of such Credit Party are located, indicating among other things that its assets are free and clear of any Lien except for Permitted Liens.

(iv) *Hazard and Liability Insurance.* The Administrative Agent shall have received certificates of property hazard, business interruption and liability insurance, evidence of payment of all insurance premiums for the current policy year of each (naming the Administrative Agent as loss payee (and mortgagee, as applicable) on all certificates for property hazard insurance and as additional insured on all certificates for liability insurance), and, if requested by the Administrative Agent, copies (certified by a Responsible Officer) of insurance policies in the form required under the Security Documents and otherwise in form and substance reasonably satisfactory to the Administrative Agent.

(d) *Consents; No Injunction, Etc.*

(i) *Governmental and Third Party Approvals.* The Credit Parties shall have received all material governmental, shareholder and third party consents and approvals (including, without limitation, any required approvals, permits and consents of the FCC) necessary (or any other material consents as determined in the reasonable discretion of the Administrative Agent) in connection with the transactions contemplated by this Agreement and the other Loan Documents and the other transactions contemplated hereby and all applicable waiting periods shall have expired without any action being taken by any Person that could reasonably be expected to restrain, prevent or impose any material adverse conditions on any of the Credit Parties or such other transactions or that could seek or threaten any of the foregoing, and no law or regulation shall be applicable which in the reasonable judgment of the Administrative Agent could reasonably be expected to have such effect.

(ii) *No Injunction, Etc.* No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby. The Administrative Agent shall be reasonably satisfied that no proceeding shall be pending or threatened which may result in the loss, revocation, material modification, non-renewal, suspension, or termination of any Material Communications License, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to any operations of the Borrower and its Subsidiaries. The Administrative Agent shall be reasonably satisfied that no proceeding shall be pending or threatened which may result in the denial by the FCC of any pending material applications of the Borrower or any Subsidiary thereof, if such denial could reasonably be expected to have a Material Adverse Effect.

(e) *Financial Matters.*

(i) *Financial Statements.* The Administrative Agent shall have received (A) the audited Consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2006, the audited Consolidated balance sheet of the Borrower and its Subsidiaries as of December 31, 2006 and the related audited statements of income and retained earnings and cash flows for the fiscal periods then ended and (B) an unaudited Consolidated balance sheet of the Borrower and its Subsidiaries and the related unaudited statements of income and retained earnings and cash flows for the fiscal quarter ended September 30, 2007, in each case, reasonably satisfactory in form to the Administrative Agent.

(ii) *Financial Projections.* Pro forma Consolidated financial statements for the Borrower and its Subsidiaries, and forecasts prepared by management of the Borrower, of balance sheets, income statements and cash flow statements on a quarterly basis for the first eighteen

(18) months following the Original Closing Date and on an annual basis for each year thereafter during the term of the Credit Facility, in each case, reasonably satisfactory in form to the Administrative Agent.

(iii) *Financial Condition Certificate.* The Borrower shall have delivered to the Administrative Agent a certificate, in form and substance reasonably satisfactory to the Administrative Agent, and certified as accurate by a Responsible Officer, that (A) the Borrower and each of the other Credit Parties are Solvent, (B) the payables of each Credit Party are current and not past due with immaterial exceptions and subject to any that are being disputed in good faith, (C) attached thereto are calculations for the fiscal quarter ended September 30, 2007, in form and substance satisfactory to the Administrative Agent, evidencing compliance on a *pro forma* basis with the financial covenants contained in *Section 10.2* and *Section 10.3*, (D) the financial projections previously delivered to the Administrative Agent represent the good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries, (E) attached thereto is a calculation of the Applicable Margin and (F) attached thereto is an Adjusted Consolidated EBITDA Reconciliation for the four (4) consecutive fiscal quarter period ending on September 30, 2007.

(iv) *Payment at Closing.* The Borrower shall have paid to the Administrative Agent and the Lenders the fees set forth or referenced in *Section 5.3* which are then due and payable and any other accrued and unpaid fees or commissions due hereunder (including, without limitation, legal fees and expenses) and to any other Person such amount as may be due thereto in connection with the transactions contemplated hereby, including all taxes, fees and other charges in connection with the execution, delivery, recording, filing and registration of any of the Loan Documents.

(f) *Miscellaneous.*

(i) *Due Diligence.* The Administrative Agent shall have completed, to its satisfaction, all financial, legal and business and other due diligence with respect to the business, assets, liabilities, operations and condition (financial or otherwise) of the Borrower and its Subsidiaries in scope and determination satisfactory to the Administrative Agent in its sole discretion.

(ii) *Repayment of Debt.* All existing Debt of the Borrower and its Subsidiaries, other than any Debt permitted to remain outstanding pursuant to the terms of this Agreement, shall be repaid in full and all credit facilities, security interests and other agreements relating thereto shall have been terminated (or provision for the termination thereof shall have been made) in a manner satisfactory to the Administrative Agent and the Lenders, and the Administrative Agent shall have received pay-off letters in form and substance satisfactory to it evidencing such repayment, termination and release.

(iii) *Other Documents.* All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to the Administrative Agent. The Administrative Agent shall have received copies of all other documents, certificates and instruments reasonably requested thereby with respect to the transactions contemplated by this Agreement.

SECTION 6.3 *Conditions to the Delayed Draw Term Loan.* The applicable Lenders shall have no obligation to make a Delayed Draw Term Loan, if any, until the later to occur of (a) January 2, 2008 and (b) the satisfaction of each of the following conditions:

(a) *Consents; No Injunction, Etc.*

(i) *Governmental and Third Party Approvals.* The Credit Parties shall have received all material governmental, shareholder and third party consents and approvals necessary (or any other material consents as determined in the reasonable discretion of the Administrative Agent) in connection with the transactions contemplated by this Agreement and the other Loan Documents and the other transactions contemplated hereby and all applicable waiting periods shall have expired without any action being taken by any Person that could reasonably be expected to restrain, prevent or impose any material adverse conditions on any of the Credit Parties or such other transactions or that could seek or threaten any of the foregoing, and no law or regulation shall be applicable which in the reasonable judgment of the Administrative Agent could reasonably be expected to have such effect.

(ii) *No Injunction, Etc.* No action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any Governmental Authority to enjoin, restrain, or prohibit, or to obtain substantial damages in respect of, or which is related to or arises out of this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby, or which, in the Administrative Agent's sole discretion, would make it inadvisable to consummate the transactions contemplated by this Agreement or the other Loan Documents or the consummation of the transactions contemplated hereby or thereby. The Administrative Agent shall be reasonably satisfied that no proceeding shall be pending or threatened which may result in the loss, revocation, material modification, non-renewal, suspension, or termination of any Material Communications License, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC with respect to any operations of the Borrower and its Subsidiaries. The Administrative Agent shall be reasonably satisfied that no proceeding shall be pending or threatened which may result in the denial by the FCC of any pending material applications of the Borrower or any Subsidiary thereof, if such denial could reasonably be expected to have a Material Adverse Effect.

(b) *Financial Condition Certificate.* The Borrower shall have delivered to the Administrative Agent a certificate, in form and substance satisfactory to the Administrative Agent, and certified as accurate by a Responsible Officer, that (i) the Borrower and each of the other Credit Parties is Solvent, (ii) the payables of the Borrower and each of the other Credit Parties are current and not past due (subject to immaterial exceptions and matters disputed in good faith), (iii) attached thereto are calculations evidencing compliance on a *pro forma* basis and including the application of the proceeds of the Delayed Draw Term Loan with the financial covenants contained in *Section 10.2*, *Section 10.3* and *Section 10.5*, (iv) the financial projections previously delivered to the Administrative Agent represent the good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries, (v) attached thereto is a calculation of the Applicable Margin and (vi) attached thereto is an Adjusted Consolidated EBITDA Reconciliation for the four (4) consecutive fiscal quarter period ending on or immediately prior to the date of such certificate and, with respect to which fiscal quarter end, financial statements are available.

(c) *Miscellaneous.*

(i) *Notice of Borrowing.* The Administrative Agent shall have received a Notice of Borrowing from the Borrower in accordance with *Section 4.2*, and a Notice of Account Designation specifying the account or accounts to which the proceeds of any Delayed Draw Term Loans are to be disbursed.

(ii) *Other Documents*. All opinions, certificates and other instruments and all proceedings in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in form and substance to the Administrative Agent. The Administrative Agent shall have received copies of all other documents, certificates and instruments reasonably requested thereby with respect to the transactions contemplated by this Agreement.

SECTION 6.4 *Conditions to All Extensions of Credit*. The obligations of the Lenders to make any Extensions of Credit (including the initial Extension of Credit), convert or continue any Loan are subject to the satisfaction of the following conditions precedent on the relevant borrowing, continuation, conversion, issuance or extension date:

(a) *Continuation of Representations and Warranties*. With respect to the borrowing of any loan (but not the conversion or continuation of any loan), the representations and warranties contained in *Article VII* shall be true and correct in all material respects on and as of such borrowing, issuance or extension date with the same effect as if made on and as of such date, except for any representation and warranty made as of an earlier date, which representation and warranty shall remain true and correct as of such earlier date; *provided* that any representation or warranty that is qualified by materiality or by reference to Material Adverse Effect shall be true and correct in all respects on and as of such borrowing, issuance or extension date.

(b) *No Existing Default*. No Default or Event of Default shall have occurred and be continuing on the borrowing, continuation or conversion date with respect to such Loan or after giving effect to the Loans to be made, continued or converted on such date.

(c) *Notices*. The Administrative Agent shall have received a Notice of Borrowing or Notice of Conversion/Continuation, as applicable, from the Borrower in accordance with *Section 2.3(a)*, *Section 4.2* or *Section 5.2*.

(d) *Additional Documents*. The Administrative Agent shall have received each additional document, instrument, legal opinion or other item reasonably requested by it.

## ARTICLE VII

### *REPRESENTATIONS AND WARRANTIES OF THE BORROWER*

SECTION 7.1 *Representations and Warranties*. To induce the Administrative Agent and Lenders to enter into this Agreement and to induce the Lenders to make Extensions of Credit, the Borrower hereby represents and warrants to the Administrative Agent and Lenders both before and after giving effect to the transactions contemplated hereunder that:

(a) *Organization; Power; Qualification*. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation, has the power and authority to own its properties and to carry on its business as now being conducted and is duly qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization except in jurisdictions where the failure to be so qualified or authorized could not reasonably be expected to result in a Material Adverse Effect. The jurisdictions in which the Borrower and its Subsidiaries are organized and qualified to do business as of the Closing Date are listed on *Schedule 7.1(a)*.

(b) *Ownership*. Each Subsidiary of the Borrower as of the Closing Date is listed on *Schedule 7.1(b)*. As of the Closing Date, the capitalization of the Borrower and its Subsidiaries consists of the number of shares, authorized, issued and outstanding, of such classes and series, with or without par value, described on *Schedule 7.1(b)*. All outstanding shares have been duly authorized and validly issued and are fully paid and nonassessable, with no personal liability attaching to the ownership thereof, and not subject to any preemptive or similar rights, except as

described in *Schedule 7.1(b)*. The shareholders of Borrower and its Subsidiaries and the number of shares owned by each as of the Closing Date are described on *Schedule 7.1(b)*. As of the Closing Date, there are no outstanding stock purchase warrants, subscriptions, options, securities, instruments or other rights of any type or nature whatsoever, which are convertible into, exchangeable for or otherwise provide for or permit the issuance of Capital Stock of the Borrower or its Subsidiaries, except as described on *Schedule 7.1(b)*.

(c) *Authorization of Agreement, Loan Documents and Borrowing.* Each of the Credit Parties has the right, power and authority and has taken all necessary corporate and other action to authorize the execution, delivery and performance of this Agreement and each of the other Loan Documents to which it is a party in accordance with their respective terms. This Agreement and each of the other Loan Documents have been duly executed and delivered by the duly authorized officers of each of the Credit Parties party thereto, and each such document constitutes the legal, valid and binding obligation of the Credit Parties party thereto, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar state or federal debtor relief laws from time to time in effect which affect the enforcement of creditors' rights in general and the availability of equitable remedies.

(d) *Compliance of Agreement, Loan Documents and Borrowing with Laws, Etc.* The execution, delivery and performance by the Credit Parties of the Loan Documents to which each such Person is a party, in accordance with their respective terms, the Extensions of Credit hereunder and the transactions contemplated hereby do not and will not, by the passage of time, the giving of notice or otherwise, (i) require any Governmental Approval or violate any Applicable Law relating to the Borrower or any of its Subsidiaries where the failure to obtain such Governmental Approval or violation could reasonably be expected to have a Material Adverse Effect, (ii) conflict with, result in a breach of or constitute a default under the certificate of incorporation, bylaws or other organizational documents of the Borrower or any of its Subsidiaries, (iii) conflict with, result in a breach of or constitute a default under any indenture, agreement or other instrument to which such Person is a party or by which any of its properties may be bound or any Governmental Approval relating to such Person in each case, which could reasonably be expected to have a Material Adverse Effect, (iv) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by such Person other than Liens arising under the Loan Documents or (v) require any consent or authorization of, filing with, or other act in respect of, an arbitrator or Governmental Authority and no consent of any other Person is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement other than consents, authorizations, filings or other acts or consents for which the failure to obtain or make could not reasonably be expected to have a Material Adverse Effect and other than consents or filings under the UCC.

(e) *Compliance with Law; Governmental Approvals.* Each of the Borrower and its Subsidiaries (i) has all Governmental Approvals required by any Applicable Law for it to conduct its business as currently conducted, each of which is in full force and effect, is final and not subject to review on appeal and is not the subject of any pending or, to the best of its knowledge, threatened attack by direct or collateral proceeding, (ii) is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Laws relating to it or any of its respective properties and (iii) has timely filed all material reports, documents and other materials required to be filed by it under all Applicable Laws with any Governmental Authority and has retained all material records and documents required to be retained by it under Applicable Law except in each case (i), (ii) or (iii) where the failure to have, comply or file could not reasonably be expected to have a Material Adverse Effect.

(f) *Tax Returns and Payments.* Each of the Borrower and its Subsidiaries has duly filed or caused to be filed all federal, material state, material local and other material tax returns required by Applicable Law to be filed, and has paid, or made adequate provision for the payment of, all

federal, material state, material local and other material taxes, assessments and governmental charges or levies upon it and its property, income, profits and assets which are due and payable. Such returns accurately reflect in all material respects all liability for taxes of the Borrower and its Subsidiaries for the periods covered thereby. There is no ongoing audit or examination or, to the knowledge of the Borrower, other investigation by any Governmental Authority of the tax liability of the Borrower and its Subsidiaries. No Governmental Authority has asserted any Lien or other claim against the Borrower or any Subsidiary thereof with respect to unpaid taxes which has not been discharged or resolved other than Permitted Liens. The charges, accruals and reserves on the books of the Borrower and any of its Subsidiaries in respect of federal, material state, material local and other material taxes for all Fiscal Years and portions thereof since the organization of the Borrower and any of its Subsidiaries are in the judgment of the Borrower adequate, and the Borrower does not anticipate any additional taxes or assessments for any of such years.

(g) *Intellectual Property Matters.* Each of the Borrower and its Subsidiaries owns or possesses rights to use all material franchises, licenses, copyrights, copyright applications, patents, patent rights or licenses, patent applications, trademarks, trademark rights, service mark, service mark rights, trade names, trade name rights, copyrights and other rights with respect to the foregoing which are reasonably necessary to conduct its business as currently conducted. No event has occurred which permits, or after notice or lapse of time or both would permit, the revocation or termination of any such material rights, and, to Borrower's knowledge, neither the Borrower nor any Subsidiary thereof is liable to any Person for infringement under Applicable Law with respect to any such rights as a result of its business operations except as could not reasonably be expected to have a Material Adverse Effect.

(h) *Environmental Matters.*

(i) The properties owned, leased or operated by the Borrower and its Subsidiaries now or in the past do not contain, and to their knowledge have not previously contained, any Hazardous Materials in amounts or concentrations which (A) constitute or constituted an unremediated violation of applicable Environmental Laws or (B) could give rise to material liability under applicable Environmental Laws;

(ii) To the knowledge of the Borrower and its Subsidiaries, the Borrower, each of its Subsidiaries and such properties and all operations conducted in connection therewith are in compliance, and, at all such times when such properties have been owned or operated by the Borrower or any of its Subsidiaries have been in compliance, with all applicable Environmental Laws, and there is no contamination at, under or about such properties or such operations which could interfere with the continued operation of such properties or materially impair the fair saleable value thereof;

(iii) Neither the Borrower nor any Subsidiary thereof has received any written notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters, Hazardous Materials, or compliance with Environmental Laws, nor does the Borrower or any Subsidiary thereof have knowledge or reason to believe that any such notice will be received or is being threatened;

(iv) To the knowledge of the Borrower and its Subsidiaries, Hazardous Materials have not been transported or disposed of to or from the properties owned, leased or operated by the Borrower and its Subsidiaries in violation of, or in a manner or to a location which could give rise to material liability under, Environmental Laws, nor have any Hazardous Materials been generated, treated, stored or disposed of at, on or under any of such properties in violation of, or in a manner that could give rise to material liability under, any applicable Environmental Laws;

(v) No judicial proceedings or governmental or administrative action is pending, or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any Subsidiary thereof is or will be named as a potentially responsible party with respect to such properties or operations conducted in connection therewith, nor are there any consent decrees or other decrees, consent orders, administrative orders or other orders, or other administrative or judicial requirements outstanding under any Environmental Law with respect to Borrower, any Subsidiary or such properties or such operations that could reasonably be expected to have a Material Adverse Effect; and

(vi) There has been no release, or to the best of the Borrower's knowledge, threat of release, of Hazardous Materials at or from properties owned, leased or operated by the Borrower or any Subsidiary, now or in the past, in violation of or in amounts or in a manner that could give rise to liability under Environmental Laws that could reasonably be expected to have a Material Adverse Effect.

(i) *ERISA*.

(i) As of the Closing Date, neither the Borrower nor any ERISA Affiliate maintains or contributes to, or has any obligation under, any Employee Benefit Plans other than those identified on *Schedule 7.1(i)*;

(ii) The Borrower and each ERISA Affiliate is in material compliance with all applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Employee Benefit Plans except for any required amendments for which the remedial amendment period as defined in Section 401(b) of the Code has not yet expired and except where a failure to so comply could not reasonably be expected to have a Material Adverse Effect. Each Employee Benefit Plan that is intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified, and each trust related to such plan has been determined to be exempt under Section 501(a) of the Code except for such plans that have not yet received determination letters but for which the remedial amendment period for submitting a determination letter has not yet expired. No liability has been incurred by the Borrower or any ERISA Affiliate which remains unsatisfied for any taxes or penalties with respect to any Employee Benefit Plan or any Multiemployer Plan except for a liability that could not reasonably be expected to have a Material Adverse Effect;

(iii) As of the Closing Date, no Pension Plan has been terminated, nor has any accumulated funding deficiency (as defined in Section 412 of the Code) been incurred (without regard to any waiver granted under Section 412 of the Code), nor has any funding waiver from the Internal Revenue Service been received or requested with respect to any Pension Plan, nor has the Borrower or any ERISA Affiliate failed to make any contributions or to pay any amounts due and owing as required by Section 412 of the Code, Section 302 of ERISA or the terms of any Pension Plan prior to the due dates of such contributions under Section 412 of the Code or Section 302 of ERISA, nor has there been any event requiring any disclosure under Section 4041(c)(3)(C) or 4063(a) of ERISA with respect to any Pension Plan;

(iv) Except where the failure of any of the following representations to be correct in all material respects could not reasonably be expected to have a Material Adverse Effect, neither the Borrower nor any ERISA Affiliate has: (A) engaged in a nonexempt prohibited transaction described in Section 406 of ERISA or Section 4975 of the Code, (B) incurred any liability to the PBGC which remains outstanding other than the payment of premiums and there are no premium payments which are due and unpaid, (C) failed to make a required contribution or payment to a Multiemployer Plan, or (D) failed to make a required installment or other required payment under Section 412 of the Code;

(v) No Termination Event has occurred or is reasonably expected to occur; and

(vi) Except where the failure of any of the following representations to be correct in all material respects could not reasonably be expected to have a Material Adverse Effect, no proceeding, claim (other than a benefits claim in the ordinary course of business), lawsuit and/or investigation is existing or, to the best knowledge of the Borrower after due inquiry, threatened concerning or involving any (A) employee welfare benefit plan (as defined in Section 3(1) of ERISA) currently maintained or contributed to by the Borrower or any ERISA Affiliate, (B) Pension Plan or (C) Multiemployer Plan.

(j) *Margin Stock.* Neither the Borrower nor any Subsidiary is engaged principally or as one of its activities in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin stock" (as each such term is defined or used, directly or indirectly, in Regulation U of the Board of Governors of the Federal Reserve System). No part of the proceeds of any of the Loans will be used for purchasing or carrying margin stock or for any purpose which violates, or which would be inconsistent with, the provisions of Regulation T, U or X of such Board of Governors.

(k) *Government Regulation.* Neither the Borrower nor any Subsidiary is an "investment company" or a company "controlled" by an "investment company" (as each such term is defined or used in the Investment Company Act of 1940, as amended) and neither the Borrower nor any Subsidiary is, or after giving effect to any Extension of Credit will be, subject to regulation under the Interstate Commerce Act, as amended, or any other Applicable Law which limits its ability to incur or consummate the transactions contemplated hereby.

(l) *Material Contracts.* *Schedule 7.1(l)* sets forth a complete and accurate list of all Material Contracts of the Borrower and its Subsidiaries in effect as of the Closing Date not listed on any other Schedule hereto; other than as set forth in *Schedule 7.1(l)*, each such Material Contract is, and after giving effect to the consummation of the transactions contemplated by the Loan Documents will be, in full force and effect in accordance with the terms thereof. To the extent requested by the Administrative Agent, the Borrower and its Subsidiaries have delivered to the Administrative Agent a true and complete copy of each Material Contract required to be listed on *Schedule 7.1(l)* or any other Schedule hereto. Neither the Borrower nor any Subsidiary (nor, to the knowledge of the Borrower, any other party thereto) is in breach of or in default under any Material Contract in any material respect.

(m) *Employee Relations.* Each of the Borrower and its Subsidiaries has a work force in place adequate to conduct its business as currently conducted and is not, as of the Closing Date, party to any collective bargaining agreement nor has any labor union been recognized as the representative of its employees except as set forth on *Schedule 7.1(m)*. The Borrower knows of no pending, threatened or contemplated strikes, work stoppage or other collective labor disputes involving its employees or those of its Subsidiaries that could reasonably be expected to have a Material Adverse Effect.

(n) *Burdensome Provisions.* No Subsidiary is party to any agreement or instrument or otherwise subject to any restriction or encumbrance that restricts or limits its ability to make dividend payments or other distributions in respect of its Capital Stock to the Borrower or any Subsidiary or to transfer any of its assets or properties to the Borrower or any other Subsidiary in each case other than existing under or by reason of the Loan Documents or Applicable Law.

(o) *Financial Statements.* The audited and unaudited financial statements delivered pursuant to *Section 6.2(e)(i)(A)* are complete and correct and fairly present in all material respects on a Consolidated basis the assets, liabilities and financial position of the Borrower and its Subsidiaries as at such dates, and the results of the operations and changes of financial position for the periods then ended (other than the absence of footnotes and customary year-end adjustments for unaudited financial statements). All such financial statements, including the related schedules and

notes thereto, have been prepared in accordance with GAAP. Such financial statements show all material indebtedness and other material liabilities, direct or contingent, of the Borrower and its Subsidiaries as of the dates thereof, including material liabilities for taxes, material commitments, and Indebtedness, in each case, to the extent required to be disclosed under GAAP. The *pro forma* financial statements delivered pursuant to *Section 6.2(e)(ii)* were prepared in good faith on the basis of the assumptions stated therein, which assumptions are believed to be reasonable in light of then existing conditions except that such financial statements and forecasts shall be subject to normal year end closing and audit adjustments.

(p) *No Material Adverse Change.* Since September 30, 2007, there has been no material adverse change in the properties, business, operations, or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole and no event has occurred or condition arisen that could reasonably be expected to have a Material Adverse Effect.

(q) *Solvency.* As of the Closing Date and after giving effect to each Extension of Credit made hereunder, each of the Credit Parties will be Solvent.

(r) *Titles to Properties.* Each of the Borrower and its Subsidiaries has such title to the real property owned or leased by it as is necessary to the conduct of its business as currently conducted and valid and legal title to all of its personal property and assets, including, but not limited to, those reflected on the Consolidated balance sheets of the Borrower and its Subsidiaries delivered pursuant to *Section 6.2(e)*, except those which have been disposed of by the Borrower or its Subsidiaries subsequent to the dates of such balance sheets which dispositions have been in the ordinary course of business or as otherwise expressly permitted hereunder.

(s) *Insurance.* The properties of the Borrower and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of the Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar properties in locations where the Borrower or the applicable Subsidiary operates; *provided* that neither the Borrower nor any of its Subsidiaries shall be required to obtain any insurance protection against the risk of loss of any in-orbit Satellite or any business interruption insurance in addition to or providing a broader scope of coverage than is maintained by the Borrower and its Subsidiaries as of the Closing Date.

(t) *Liens.* None of the properties and assets of the Borrower or any Subsidiary thereof is subject to any Lien, except Permitted Liens. Neither the Borrower nor any Subsidiary thereof has signed any financing statement or any security agreement authorizing any secured party thereunder to file any financing statement, except to perfect those Permitted Liens.

(u) *Indebtedness and Guaranty Obligations.* *Schedule 7.1(u)* is a complete and correct listing of all Indebtedness and Guaranty Obligations of the Borrower and its Subsidiaries as of the Closing Date in excess of \$1,000,000. The Borrower and its Subsidiaries have performed and are in compliance with all of the material terms of such Indebtedness and Guaranty Obligations and all instruments and agreements relating thereto, and no default or event of default, or event or condition which with notice or lapse of time or both would constitute such a default or event of default on the part of the Borrower or any of its Subsidiaries exists with respect to any such Indebtedness or Guaranty Obligation.

(v) *Litigation.* Except for matters existing on the Closing Date and set forth on *Schedule 7.1(v)*, there are no actions, suits or proceedings pending nor, to the knowledge of the Borrower, threatened against the Borrower or any Subsidiary thereof or any of their respective properties in any court or before any arbitrator of any kind or before or by any Governmental Authority that (i) has or could reasonably be expected to have a Material Adverse Effect, or (ii) materially adversely affects any transaction contemplated hereby.

(w) *Communications Licenses.*

(i) *Schedule 7.1(w)* accurately and completely lists, as of the date hereof, for the Borrower and each of its Subsidiaries, all Material Communications Licenses (and the expiration dates thereof) granted or assigned to the Borrower or any Subsidiary, including, without limitation, for (A) each Satellite owned by the Borrower or any of its Subsidiaries, all space station licenses or authorizations, including placement on the FCC's "Permitted Space Station List," for operation of Satellites with C-band or Ku-band transponders issued or granted by the FCC to the Borrower or any of its Subsidiaries and (B) for each Earth Station of the Borrower and its Subsidiaries.

(ii) The Communications Licenses listed on *Schedule 7.1(w)* include all material authorizations, licenses, and permits issued by the FCC or any other Governmental Authority that are required or necessary for the operation and the conduct of the business of the Borrower and its Subsidiaries, as now conducted or proposed to be conducted. Each Communications License listed on *Schedule 7.1(w)* is issued in the name of the Subsidiary indicated on such schedule.

(iii) Each Material Communications License is in full force and effect. The Borrower has no knowledge of any condition imposed by the FCC or any other Governmental Authority as part of any Communications License which is neither set forth on the face thereof as issued by the FCC or any other Governmental Authority nor contained in the rules and regulations of the FCC or any other Governmental Authority applicable generally to telecommunications activities of the type, nature, class or location of the activities in question. Each applicable location of the Borrower or any of its Subsidiaries has been and is being operated in all material respects in accordance with the terms and conditions of the Communications License applicable to it and Applicable Law, including but not limited to the Communications Act and the rules and regulations issued thereunder.

(iv) No proceedings are pending or, to the Borrower's knowledge, are threatened which may result in the loss, revocation, modification, non-renewal, suspension or termination of any Communications License, the issuance of any cease and desist order or the imposition of any fines, forfeitures or other administrative actions by the FCC or any other Governmental Authority with respect to any operations of the Borrower and its Subsidiaries, which in any case could reasonably be expected to have a Material Adverse Effect

(v) All reports, applications and other documents required to be filed by the Borrower or any of its Subsidiaries with the FCC or any other Governmental Authority have been timely filed, and all such reports, applications and documents are true, correct and complete in all respects, except where the failure to make such timely filing or any inaccuracy therein could not reasonably be expected to have a Material Adverse Effect, and the Borrower has no knowledge of any matters which could reasonably be expected to result in the loss, revocation, modification, non-renewal, suspension or termination of any Communications License or the imposition on the Borrower of any fines or forfeitures by the FCC or any other Governmental Authority, or which could reasonably be expected to result in a revocation, rescission, reversal or modification of any applicable authorization of the Borrower and its Subsidiaries to operate as currently authorized under Applicable Law, including but not limited to the Communications Act and the policies, rules and regulations of the FCC, which in any case could reasonably be expected to have a Material Adverse Effect.

(x) *Satellites.* All Satellites owned by the Borrower or any Subsidiary thereof, are directly owned by a Credit Party. *Schedule 7.1(x)* accurately and completely lists as of the date of this Agreement, the flight model number of each of the Satellites owned by the Borrower and its Subsidiaries, and for each such Satellite whether it is operational in-orbit or spare in-orbit.

(y) *Absence of Defaults*. No event has occurred and is continuing which constitutes a Default or an Event of Default, or which constitutes, or which with the passage of time or giving of notice or both would constitute, a default or event of default by the Borrower or any Subsidiary thereof under any Material Contract or judgment, decree or order to which the Borrower or its Subsidiaries is a party or by which the Borrower or its Subsidiaries or any of their respective properties may be bound or which would require the Borrower or its Subsidiaries to make any payment thereunder prior to the scheduled maturity date therefor.

(z) *Senior Indebtedness Status*. The Obligations of the Borrower and each of its Subsidiaries under this Agreement and each of the other Loan Documents rank and shall continue to rank at least senior in priority of payment to all Subordinated Indebtedness and all senior unsecured Indebtedness of each such Person and is designated as "Senior Indebtedness" under all instruments and documents, now or in the future, relating to all Subordinated Indebtedness and all senior unsecured Indebtedness of such Person.

(aa) *OFAC*. None of the Borrower, any Subsidiary of the Borrower or any Affiliate of the Borrower or any Guarantor: (i) is a Sanctioned Person, (ii) has more than 10% of its assets in Sanctioned Entities, or (iii) derives more than 10% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Entities. The proceeds of any Loan will not be used and have not been used to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or a Sanctioned Entity.

(bb) *Disclosure*. No financial statement, material report, material certificate or other material information furnished (whether in writing or orally), taken together as a whole, by or on behalf of any of the Borrower or any of its Subsidiaries to the Administrative Agent or any Lender in connection with the transactions contemplated hereby and the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided* that, with respect to projected financial information, pro forma financial information, estimated financial information and other projected or estimated information, such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 7.2 *Survival of Representations and Warranties, Etc.* All representations and warranties set forth in this *Article VII* and all representations and warranties contained in any certificate, or any of the Loan Documents (including, but not limited to, any such representation or warranty made in or in connection with any amendment thereto) shall constitute representations and warranties made under this Agreement. All representations and warranties made under this Agreement shall be made or deemed to be made at and as of the Closing Date (except those that are expressly made as of a specific date), shall survive the Closing Date and shall not be waived by the execution and delivery of this Agreement, any investigation made by or on behalf of the Lenders or any borrowing hereunder.

## ARTICLE VIII

### FINANCIAL INFORMATION AND NOTICES

Until all the Obligations have been paid and satisfied in full and the Revolving Credit Commitment terminated, unless consent has been obtained in the manner set forth in *Section 14.2*, the Borrower will furnish or cause to be furnished to the Administrative Agent at the Administrative Agent's Office at the address set forth in *Section 14.1* and to the Lenders at their respective addresses

as set forth on the Register, or such other office as may be designated by the Administrative Agent and Lenders from time to time:

**SECTION 8.1 *Financial Statements and Projections.***

(a) *Quarterly Financial Statements.* As soon as practicable and in any event within forty-five (45) days after the end of each fiscal quarter of each Fiscal Year (or, if the date of any required public filing is earlier, no later than the Business Day immediately following the date of any required public filing thereof after giving effect to any extensions granted with respect to such date), an unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such fiscal quarter and unaudited Consolidated statements of income, retained earnings and cash flows and a report containing management's discussion and analysis of such financial statements for the fiscal quarter then ended and that portion of the Fiscal Year then ended, including the notes (if any) thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the corresponding period in the preceding Fiscal Year and prepared by the Borrower in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the period, and certified by the chief financial officer of the Borrower to present fairly in all material respects the financial condition of the Borrower and its Subsidiaries on a Consolidated basis as of their respective dates and the results of operations of the Borrower and its Subsidiaries for the respective periods then ended, subject to normal year end adjustments.

(b) *Annual Financial Statements.* As soon as practicable and in any event within ninety (90) days after the end of each Fiscal Year (or, if the date of any required public filing is earlier, no later than the Business Day immediately following the date of any required public filing thereof after giving effect to any extensions granted with respect to such date), an audited Consolidated balance sheet of the Borrower and its Subsidiaries as of the close of such Fiscal Year and audited Consolidated statements of income, retained earnings and cash flows and a report containing management's discussion and analysis of such financial statements for the Fiscal Year then ended, including the notes thereto, all in reasonable detail setting forth in comparative form the corresponding figures as of the end of and for the preceding Fiscal Year and prepared in accordance with GAAP and, if applicable, containing disclosure of the effect on the financial position or results of operations of any change in the application of accounting principles and practices during the year. Such annual financial statements shall be audited by an independent certified public accounting firm acceptable to the Administrative Agent, and accompanied by a report thereon by such certified public accountants that is not qualified with respect to scope limitations imposed by the Borrower or any of its Subsidiaries or with respect to accounting principles followed by the Borrower or any of its Subsidiaries not in accordance with GAAP.

(c) *Annual Business Plan and Financial Projections.* As soon as practicable and in any event within fifteen (15) days after the beginning of each Fiscal Year during the term of this Agreement, a business plan of the Borrower and its Subsidiaries for the ensuing four (4) fiscal quarters, such plan to be prepared in accordance with GAAP and to include, on a quarterly basis, the following: a quarterly operating and capital budget, a projected income statement, statement of cash flows and balance sheet and a report setting forth management's operating and financial assumptions underlying such projections, accompanied by a certificate from a Responsible Officer of the Borrower to the effect that, to the best of such officer's knowledge, such projections are good faith estimates (utilizing reasonable assumptions) of the financial condition and operations of the Borrower and its Subsidiaries for such four (4) fiscal quarter period.

**SECTION 8.2 *Officer's Compliance Certificate; Schedule of Covenant Capital Expenditures; Changes to Business Plan, Financial Projections and Projected Current Capital Expenditures.***

(a) At each time financial statements are delivered pursuant to *Sections 8.1(a) or (b)* and at such other times as the Administrative Agent shall reasonably request, an Officer's Compliance Certificate,

together with an Adjusted Consolidated EBITDA Reconciliation for the fiscal period covered by such financial statements.

(b) At each time financial statements are delivered pursuant to *Section 8.1(a)*, and at such other times as the Administrative Agent shall reasonably request, a report of Subsequent Escrow Deposits and Covenant Capital Expenditures (i) actually made during the fiscal quarter period subject to such financial statements (including a comparison of such amounts to the projections for such period previously delivered to the Administrative Agent) and (ii) scheduled to be paid in cash, or reasonably expected (as determined by the Borrower in good faith on the basis of reasonable assumptions) to be paid in cash during the twelve (12) month period immediately following the fiscal quarter subject to such financial statements (including, without limitation, a statement of the methodology and assumptions used to calculate such report of projected Subsequent Escrow Deposits and Covenant Capital Expenditures and identifying the relevant Satellite Vendor Obligations, contracts and agreements related to such report).

(c) Prompt (but in no event later than ten (10) Business Days after any Responsible Officer of the Borrower obtains knowledge thereof) telephonic and written notice of any material changes to (i) the annual Business Plan and Financial Projections delivered pursuant to *Section 8.1(c)* and (ii) the report of projected Subsequent Escrow Deposits and Covenant Capital Expenditures delivered pursuant to *Section 8.2(b)*.

**SECTION 8.3 *Accountants' Certificate.*** At each time financial statements are delivered pursuant to *Section 8.1(b)*, a certificate of the independent public accountants certifying such financial statements that in connection with their audit, nothing came to their attention that caused them to believe that the Borrower failed to comply with the financial covenants, set forth in *Section 10.2* or *Section 10.5*, insofar as they relate to financial and accounting matters or, if such is not the case, specifying such non-compliance and its nature and period of existence.

**SECTION 8.4 *Other Reports.***

(a) Promptly upon receipt thereof, copies of all reports, if any, submitted to the Borrower or its Board of Directors by its independent public accountants in connection with their auditing function, including, without limitation, any management report and any management responses thereto;

(b) No less than annually, and at any time upon the reasonable request of the Administrative Agent, a Satellite health report prepared by the Borrower and certified by a Responsible Officer setting forth the operational status of each Satellite (other than Satellites yet to be launched) based on reasonable assumptions of the Borrower made in good faith and including such information with respect to the projected solar array life based on the total Satellite power requirements, projected battery life based on total Satellite power requirements, projected Satellite life, information concerning the availability of spare Satellites and such other information pertinent to the operation of such Satellite and the transponders thereon as the Administrative Agent may reasonably request, it being understood that to the extent that any such Satellite health report contains any forward looking statements, estimates or projections, such statements, estimates or projections are subject to significant uncertainties and contingencies, many of which are beyond the Borrower's control, and no assurance can be given that such forward looking statements, estimates, projections will be realized, provided that nothing in this clause (b) shall require the Borrower to deliver any information to any Lender to the extent delivery of such information is restricted by applicable law or regulation; and

(c) Such other information regarding the operations, business affairs and financial condition of the Borrower or any of its Subsidiaries as the Administrative Agent or any Lender may reasonably request.

SECTION 8.5 *Notice of Litigation and Other Matters.* Prompt (but in no event later than ten (10) Business Days after any Responsible Officer of the Borrower obtains knowledge thereof) telephonic and written notice of:

- (a) the commencement of all proceedings and investigations by or before any Governmental Authority and all actions and proceedings in any court or before any arbitrator against or involving the Borrower or any Subsidiary thereof or any of their respective properties, assets or businesses that if adversely determined could reasonably be expected to result in a Material Adverse Effect;
- (b) any notice of any violation received by the Borrower or any Subsidiary thereof from any Governmental Authority including, without limitation, any notice of violation of Environmental Laws, in each case which could reasonably be expected to have a Material Adverse Effect;
- (c) any labor controversy that has resulted in a strike or other work action against the Borrower or any Subsidiary thereof;
- (d) any attachment, judgment, lien, levy or order exceeding \$1,000,000 that has been assessed against the Borrower or any Subsidiary thereof;
- (e) (i) any Default or Event of Default or (ii) any event which constitutes or which with the passage of time or giving of notice or both would constitute a default or event of default under any Material Contract to which the Borrower or any of its Subsidiaries is a party or by which the Borrower or any Subsidiary thereof or any of their respective properties may be bound which could reasonably be expected to have a Material Adverse Effect;
- (f) (i) any unfavorable determination letter from the Internal Revenue Service regarding the qualification of an Employee Benefit Plan under Section 401(a) of the Code (along with a copy thereof), (ii) all notices received by the Borrower or any ERISA Affiliate of the PBGC's intent to terminate any Pension Plan or to have a trustee appointed to administer any Pension Plan, (iii) all notices received by the Borrower or any ERISA Affiliate from a Multiemployer Plan sponsor concerning the imposition or amount of withdrawal liability pursuant to Section 4202 of ERISA and (iv) the Borrower obtaining knowledge or reason to know that the Borrower or any ERISA Affiliate has filed or intends to file a notice of intent to terminate any Pension Plan under a distress termination within the meaning of Section 4041(c) of ERISA; and
- (g) any announcement by Moody's or S&P of any change in a Debt Rating.

SECTION 8.6 *Notices Concerning Communications Licenses.* Prompt (but in no event later than ten (10) Business Days after any Responsible Officer of the Borrower obtains knowledge thereof) telephonic and written notice of:

- (a) (i) any citation, notice of violation or order to show cause issued by the FCC or any Governmental Authority with respect to any Material Communications License, and (ii) if applicable, a copy of any notice or application by the Borrower requesting authority to or notifying the FCC of its intent to cease telecommunications operations for any period in excess of ten days, or (iii) notice of any other action, proceeding or other dispute, which, if adversely determined, could reasonably be expected to result in the loss or revocation of any Material Communications License; and
- (b) any lapse, loss, modification, suspension, termination or relinquishment of any Material Communications License, permit or other authorization from the FCC or other Governmental Authority held by the Borrower or any Subsidiary thereof or any failure of the FCC or other Governmental authority to renew or extend any such Material Communications License, permit or other authorization for the usual period thereof and of any complaint against the Borrower or any of its Subsidiaries or other matter filed with or communicated to the FCC or other Governmental Authority.

SECTION 8.7 *Accuracy of Information.* All written information, reports, statements and other papers and data furnished by or on behalf of the Borrower to the Administrative Agent or any Lender whether pursuant to this *Article VIII* or any other provision of this Agreement, or any of the Security Documents, shall, at the time the same is so furnished, comply with the representations and warranties set forth in *Section 7.1(bb)*.

## ARTICLE IX

### AFFIRMATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Revolving Credit Commitment terminated, unless consent has been obtained in the manner provided for in *Section 14.2*, the Borrower will, and will cause each of its Subsidiaries to:

SECTION 9.1 *Preservation of Corporate Existence and Related Matters.* Except as permitted by *Section 11.4*, preserve and maintain its separate corporate existence and all rights, franchises, licenses and privileges necessary to the conduct of its business as currently conducted, and qualify and remain qualified as a foreign corporation and authorized to do business in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Effect.

SECTION 9.2 *Maintenance of Property.* In addition to the requirements of any of the Security Documents, protect and preserve all properties necessary in and material to its business, including copyrights, patents, trade names, service marks and trademarks; maintain in good working order and condition, ordinary wear and tear excepted, all buildings, equipment and other tangible real and personal property; and from time to time make or cause to be made all repairs, renewals and replacements thereof and additions to such property necessary for the conduct of its business as currently conducted, so that the business carried on in connection therewith may be conducted in a commercially reasonable manner. Cause all Satellites owned by the Borrower or its Subsidiaries to be owned directly by one of the Credit Parties.

#### SECTION 9.3 *Insurance.*

(a) Maintain insurance with financially sound and reputable insurance companies against such risks and in such amounts as are customarily maintained by similar businesses using non-geostationary satellites and as may be required by Applicable Law and as are required by any Security Documents (including, without limitation, hazard and business interruption insurance with amounts and scope of coverage not less than those maintained by the Borrower and its Subsidiaries as of the Closing Date), and on the Closing Date and from time to time thereafter deliver to the Administrative Agent upon its request information in reasonable detail as to the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby; provided that neither the Borrower nor any of its Subsidiaries shall be required to obtain any insurance against the risk of loss of any in-orbit Satellite(s) or against business interruption risks in addition to or with a broader scope of coverage than is maintained by the Borrower and its Subsidiaries as of the Closing Date.

(b) In addition to, and without limiting the foregoing, the Borrower will, and will cause each of its Subsidiaries to, maintain insurance with respect to Satellites as follows:

(i) *All Risks Insurance.* The Borrower will procure or will cause each Satellite manufacturer to procure at its own expense and maintain in full force and effect, at all times prior to the launch of any Satellite purchased by the Borrower or any of its Subsidiaries pursuant to the terms of the applicable Satellite purchase agreement, All Risks Insurance upon such terms and conditions as are reasonably commercially available and customary in the industry with respect to such Satellite, it being understood that if the applicable Satellite manufacturer procures All Risks Insurance for Satellites in accordance with the requirements of the applicable Satellite purchase agreement, the

Borrower's obligations under this Subsection (b)(i) with respect to such Satellites shall be satisfied. In no event shall the Borrower be required to, or be required to cause any Satellite manufacturer to, procure or maintain All Risks Insurance to insure risks that may be required to be insured by, or that covers the same risks or the same period of coverage as, Launch Insurance described in the Subsection (b)(ii).

(ii) *Launch Insurance.* The Borrower will, or will cause the relevant Satellite manufacturer to, obtain, maintain and keep in full force and effect with respect to each Satellite that is to be launched, space risk insurance against loss of or damage to the Satellite (it being understood that if the applicable Satellite manufacturer procures such space risk insurance for the applicable Satellites in accordance with the terms of this Subsection (b)(ii), the Borrower's obligations with respect to such Satellite shall be satisfied), such space risk insurance (hereinafter in this *Section 9.3 "Launch Insurance"*) to be procured prior to the then-scheduled launch of such Satellite, which insurance shall be in accordance with terms commercially available and reasonably acceptable to the Required Lenders. The Borrower shall not be obligated to obtain, maintain or keep in force space risk insurance on any Satellite after termination of risk of the relevant Launch Insurance policy. The foregoing notwithstanding, if the board of directors determines in good faith as evidenced by a board resolution delivered to the Administrative Agent not to procure Launch Insurance for a specified Satellite and the Required Lenders approve in writing of such election, the provisions of this *Section 9.3(b)(ii)* shall not apply to such Satellite. The Launch Insurance for each Satellite:

(A) shall be in an amount not less than the aggregate of the purchase price of such Satellite, the purchase price of launch services therefor (other than for risks borne by the relevant launch services provider pursuant to any launch risk guarantee in accordance with the terms of the applicable launch services agreement or by the relevant Satellite manufacturer in the premium payable for such insurance, and subject to any then customary deductible but in no event in an amount exceeding 15% of such Satellite, unless otherwise agreed by the Administrative Agent;

(C) shall name the applicable Credit Party purchasing the Satellite as the named insured and the Administrative Agent as additional insured and loss payee as its interests may appear; *provided, however*, that claims if any shall be adjusted with the named insured and paid to the loss payee; and

(D) shall provide that it will not be canceled or reduced, amended or allowed to lapse without renewal, except after not less than thirty (30) days' prior notice to the Administrative Agent or not less than fifteen (15) days' prior notice to the Administrative Agent if thirty (30) days is not then commercially available at a reasonable cost.

**SECTION 9.4 *Accounting Methods and Financial Records.*** Maintain a system of accounting, and keep proper books, records and accounts (which shall be true and complete in all material respects) as may be required or as may be necessary to permit the preparation of financial statements in accordance with GAAP and in compliance with the regulations of any Governmental Authority having jurisdiction over it or any of its properties.

**SECTION 9.5 *Payment and Performance of Obligations.*** Pay and perform all Obligations under this Agreement and the other Loan Documents, and pay or perform (a) all taxes, assessments and other governmental charges that may be levied or assessed upon it or any of its property, and (b) all other indebtedness, obligations and liabilities in accordance with customary trade practices, except where the failure to pay or perform such items described in clause (a) or (b) of this Section could not reasonably be expected to have a Material Adverse Effect.

**SECTION 9.6 *Compliance With Laws and Approvals.*** Observe and remain in compliance in all material respects with all Applicable Laws and maintain in full force and effect all Governmental Approvals, in each case applicable to the conduct of its business except where the failure to do so could not reasonably be expected to have a Material Adverse Effect. Without limiting the foregoing, the Borrower shall, and shall cause each of its Subsidiaries to, comply in all material respects with all terms and conditions of all Communications Licenses and all Federal, state and local laws, all rules, regulations and administrative orders of the FCC, state and local commissions or authorities, or any other Governmental Authority that are applicable to the Borrower and its Subsidiaries or the telecommunications operations thereof; *provided* that the Borrower or any Subsidiary may dispute in good faith the applicability or requirements of any such matter so long as such dispute could not reasonably be expected to have a Material Adverse Effect.

**SECTION 9.7 *Environmental Laws.*** In addition to and without limiting the generality of *Section 9.6*, (a) comply with, and ensure such compliance by all tenants and subtenants with all applicable Environmental Laws and obtain and comply with and maintain, and ensure that all tenants and subtenants, if any, obtain and comply with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws, (b) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws, and promptly comply with all lawful orders and directives of any Governmental Authority regarding Environmental Laws, and (c) defend, indemnify and hold harmless the Administrative Agent and the Lenders, and their respective parents, Subsidiaries, Affiliates, employees, agents, officers and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature known or unknown, contingent or otherwise, arising out of, or in any way relating to the presence of Hazardous Materials, or the violation of, noncompliance with or liability under any Environmental Laws applicable to the operations of the Borrower or any such Subsidiary, or any orders, requirements or demands of Governmental Authorities related thereto, including, without limitation, reasonable attorney's and consultant's fees, investigation and laboratory fees, response costs, court costs and litigation expenses, except to the extent that any of the foregoing directly result from the gross negligence or willful misconduct of the party seeking indemnification therefor, as determined by a court of competent jurisdiction by final nonappealable judgment.

**SECTION 9.8 *Compliance with ERISA.*** In addition to and without limiting the generality of *Section 9.6*, (a) except where the failure to so comply could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect, (i) comply with all material applicable provisions of ERISA and the regulations and published interpretations thereunder with respect to all Employee Benefit Plans, (ii) not take any action or fail to take action the result of which could be a liability to the PBGC or to a Multiemployer Plan, (iii) not participate in any prohibited transaction that could result in any civil penalty under ERISA or tax under the Code and (iv) operate each Employee Benefit Plan in such a manner that will not incur any tax liability under Section 4980B of the Code or any liability to any qualified beneficiary as defined in Section 4980B of the Code and (b) furnish to the Administrative Agent upon the Administrative Agent's request such additional information about any Employee Benefit Plan as may be reasonably requested by the Administrative Agent.

**SECTION 9.9 *Compliance With Agreements.*** Comply in all respects with each term, condition and provision of all leases, agreements and other instruments entered into in the conduct of its business including, without limitation, any Material Contract except as could not reasonably be expected to have a Material Adverse Effect.

**SECTION 9.10 *Visits and Inspections.*** Permit representatives of the Administrative Agent or any Lender, from time to time upon prior reasonable notice and at such times during normal business hours, at the Borrower's expense (but only once per year unless an Event of Default has occurred and is continuing and otherwise at the Administrative Agent's or a Lender's expense), to visit and inspect

its properties; inspect, audit and make extracts from its books, records and files, including, but not limited to, management letters prepared by independent accountants; and discuss with its principal officers, and its independent accountants, its business, assets, liabilities, financial condition, results of operations and business prospects. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent or any Lender may do any of the foregoing at any time without advance notice.

SECTION 9.11 *Additional Subsidiaries; Real Property Collateral.*

(a) *Additional Domestic Subsidiaries.* Notify the Administrative Agent of the creation or acquisition of any Domestic Subsidiary and promptly thereafter (and in any event within sixty (60) days), cause such Person to (i) become a Subsidiary Guarantor by delivering to the Administrative Agent a duly executed supplement to the Guaranty Agreement or such other document as the Administrative Agent shall deem appropriate for such purpose, (ii) pledge a security interest in all Collateral owned by such Subsidiary (*provided* that if such Collateral consists of Capital Stock of a Foreign Subsidiary, such security interest will be limited to sixty-five percent (65%) of such Capital Stock) by delivering to the Administrative Agent a duly executed supplement to each Security Document or such other document as the Administrative Agent shall deem appropriate for such purpose and comply with the terms of each Security Document, (iii) deliver to the Administrative Agent such documents and certificates referred to in *Section 6.2* as may be reasonably requested by the Administrative Agent, (iv) deliver to the Administrative Agent such original Capital Stock or other certificates and stock or other transfer powers evidencing the Capital Stock of such Person, (v) deliver to the Administrative Agent such updated Schedules to the Loan Documents as requested by the Administrative Agent with respect to such Person, and (vi) deliver to the Administrative Agent such other documents as may be reasonably requested by the Administrative Agent, all in form, content and scope reasonably satisfactory to the Administrative Agent.

(b) *Additional Foreign Subsidiaries.* Notify the Administrative Agent at the time that any Person becomes a Foreign Subsidiary of the Borrower or any Subsidiary, and promptly thereafter (and in any event within sixty (60) days after notification) (i) with respect to any Foreign Subsidiary that is directly owned by a Credit Party, cause the Borrower or the applicable Subsidiary to deliver to the Administrative Agent Security Documents pledging sixty-five percent (65%) of the total outstanding Capital Stock of such new Foreign Subsidiary and a consent thereto executed by such new Foreign Subsidiary (including, without limitation, if applicable, original stock certificates (or the equivalent thereof pursuant to the Applicable Laws and practices of any relevant foreign jurisdiction) evidencing the Capital Stock of such new Foreign Subsidiary, together with an appropriate undated stock power for each certificate duly executed in blank by the registered owner thereof), (ii) cause such Person to deliver to the Administrative Agent such documents and certificates referred to in *Section 6.2* as may be reasonably requested by the Administrative Agent, (iii) cause the Borrower deliver to the Administrative Agent such updated Schedules to the Loan Documents as requested by the Administrative Agent with regard to such Person and (iv) cause such Person to deliver to the Administrative Agent such other documents as may be reasonably requested by the Administrative Agent, all in form, content and scope reasonably satisfactory to the Administrative Agent.

(c) *Additional Communications Licenses.* Notify the Administrative Agent, within thirty (30) days after the acquisition of any Material Communications License and cause any Communications License issued by the FCC that is acquired by the Borrower or any Subsidiary thereof after the Closing Date to be held by a License Subsidiary.

(d) *Owned Real Property as of the Closing Date.* As soon as practical, and in any event within ninety (90) days following the Closing Date (as such date may be extended by the Administrative Agent in its reasonable discretion), or at such later time as may be provided below, with respect to all owned

real property (to the extent located in the United States) of the Borrower or any of the other Credit Parties as of the Closing Date:

(i) *Mortgages.* The Administrative Agent shall have received a duly authorized, executed and delivered Mortgage in form and substance reasonably satisfactory to the Administrative Agent (or, in the case of Mortgages previously delivered in connection with the Existing Facility if required by the Administrative Agent, executed and delivered mortgage amendments reasonably satisfactory to the Administrative Agent).

(ii) *Title Insurance.* The Administrative Agent shall have received upon its written request therefor a marked-up commitment for a policy of title insurance, insuring Lenders' first priority Liens and showing no Liens prior to Lenders' Liens other than for ad valorem taxes not yet due and payable, with title insurance companies acceptable to the Administrative Agent on the property subject to a Mortgage with the final title insurance policy, being delivered within sixty (60) days after the Closing Date, as such date may be extended by the Administrative Agent in its reasonable discretion (or in the case of title policies delivered in connection with the Existing Facility if required by the Administrative Agent, endorsements thereto reasonably satisfactory to the Administrative Agent). Further, the Borrower agrees to provide or obtain any customary affidavits and indemnities as may be required or necessary to obtain title insurance satisfactory to the Administrative Agent.

(iii) *Title Exceptions.* The Administrative Agent shall have received upon its written request therefor copies of all recorded documents creating exceptions to the title policy referred to in *Section 9.11(d)(i)*.

(iv) *Matters Relating to Flood Hazard Properties.* The Administrative Agent shall have received upon its written request therefor a certification from the National Research Center, or any successor agency thereto, regarding each parcel of real property subject to a Mortgage.

(v) *Surveys.* The Administrative Agent shall have received upon its written request therefor copies of as-built surveys of a date reasonably satisfactory to the Administrative Agent of each parcel of real property subject to a Mortgage certified as of a recent date by a registered engineer or land surveyor and otherwise in form and substance satisfactory to the Administrative Agent.

(vi) *Environmental Assessments.* The Administrative Agent shall have received upon its written request therefor a Phase I environmental assessment and such other environmental report reasonably requested by the Administrative Agent regarding each parcel of real property subject to a Mortgage by an environmental engineering firm reasonably acceptable to the Administrative Agent showing no environmental conditions in violation of Environmental Laws or liabilities under Environmental Laws, either of which could reasonably be expected to have a Material Adverse Effect.

(vii) *Other Real Property Information.* The Administrative Agent shall have received such other certificates, documents and information as are reasonably requested by the Administrative Agent, including, without limitation, engineering and structural reports, permanent certificates of occupancy and evidence of zoning compliance, each in form and substance satisfactory to the Administrative Agent.

(e) *Leased Real Property as of the Closing Date.* The Borrower shall use reasonable efforts to cause within thirty (30) days following the written request therefor by the Administrative Agent (as such date may be extended by the Administrative Agent in its reasonable discretion), with respect to all leased real property (to the extent located in the United States) of the Borrower or any of the other Credit Parties as of the Closing Date, the Administrative Agent to have received a duly authorized, executed and delivered collateral assignment of lease and related landlord agreement, in each case, in form and substance satisfactory thereto.

(f) *After Acquired Real Property Collateral.* Notify the Administrative Agent, within ten (10) Business Days after the acquisition of any owned or leased real property by any Credit Party that is not subject to the existing Security Documents, and within ninety (90) days following request by the Administrative Agent, deliver or, in the case of leased real property, use reasonable efforts to deliver, the corresponding documents, instruments and information required to be delivered pursuant to (i) *Section 9.11(d)* if such real property is owned or (ii) *Section 9.11(e)* if such real property is leased.

**SECTION 9.12 *Hedging Agreement.*** Not later than ninety (90) days after the end of any fiscal quarter during which more than twenty-five percent (25%) of revenues is originally denominated in a single currency other than Dollars or Canadian dollars, execute foreign currency exchange or swap Hedge Agreements for such currency on terms and conditions reasonably acceptable to the Administrative Agent.

**SECTION 9.13** *[Intentionally Omitted].*

**SECTION 9.14 *Use of Proceeds.*** The Borrower shall use the proceeds of the Extensions of Credit (a) to finance the acquisition of Capital Assets, (b) to refinance or repay existing Indebtedness required to be refinanced or repaid pursuant to *Section 6.2(f)(ii)*, and (c) for working capital and general corporate purposes of the Borrower and its Subsidiaries, including the payment of certain fees and expenses incurred in connection with this Agreement.

**SECTION 9.15** *[Intentionally Omitted].*

**SECTION 9.16** *[Intentionally Omitted].*

**SECTION 9.17** *[Intentionally Omitted].*

**SECTION 9.18 *Further Assurances.*** Make, execute and deliver all such additional and further acts, things, deeds and instruments as the Administrative Agent or the Required Lenders (through the Administrative Agent) may reasonably require to document and consummate the transactions contemplated hereby and to vest completely in and insure the Administrative Agent and the Lenders their respective rights under this Agreement and the other Loan Documents.

## ARTICLE X

### FINANCIAL COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Revolving Credit Commitment terminated, unless consent has been obtained in the manner set forth in *Section 14.2*, the Borrower and its Subsidiaries on a Consolidated basis:

**SECTION 10.1** *[Intentionally Omitted].*

**SECTION 10.2 *Maximum Covenant Capital Expenditures.*** Will not permit the aggregate amount of all Covenant Capital Expenditures to exceed the corresponding amount set forth below in any Fiscal Year.

<b>Fiscal Year</b>	<b>Maximum Amount</b>
2007	\$ 185,000,000
2008	\$ 300,000,000
2009	\$ 300,000,000
2010	\$ 275,000,000
2011	\$ 175,000,000
2012	\$ 175,000,000

Notwithstanding the foregoing, the maximum amount of Covenant Capital Expenditures permitted by this *Section 10.2* in any Fiscal Year shall be increased by the aggregate amount of Covenant Capital

Expenditures that were permitted to be made under this *Section 10.2* in the preceding Fiscal Years over the amount of Covenant Capital Expenditures actually made during such preceding Fiscal Years.

**SECTION 10.3 *Minimum Liquidity.*** As of the Closing Date and at all times thereafter during the term hereof, maintain a minimum Liquidity of \$5,000,000.

**SECTION 10.4** [*Intentionally Omitted.*].

**SECTION 10.5 *Maximum Consolidated Senior Secured Leverage Ratio.*** As of the end of the second full fiscal quarter after Borrower places 24 of its Second-Generation Satellites into service, and as of the end of any fiscal quarter thereafter for so long as the Delayed Draw Term Loan is outstanding, will not permit the Consolidated Senior Secured Leverage Ratio to exceed 5.0 to 1.0.

## ARTICLE XI

### NEGATIVE COVENANTS

Until all of the Obligations have been paid and satisfied in full and the Revolving Credit Commitment terminated, unless consent has been obtained in the manner set forth in *Section 14.2*, the Borrower has not and will not and will not permit any of its Subsidiaries to:

**SECTION 11.1 *Limitations on Indebtedness.*** Create, incur, assume or suffer to exist any Indebtedness except:

- (a) the Obligations (excluding Hedging Obligations permitted pursuant to *Section 11.1(b)*);
- (b) Indebtedness incurred in connection with a Hedging Agreement (i) with a counterparty and upon terms and conditions (including interest rate) reasonably satisfactory to the Administrative Agent or (ii) required pursuant to *Section 9.12*; *provided*, that any counterparty that is a Lender shall be deemed reasonably satisfactory to the Administrative Agent;
- (c) Indebtedness existing on the Closing Date and not otherwise permitted under this Section and listed on *Schedule 7.1(u)*, and the renewal, refinancing, extension and replacement (but not the increase in the aggregate principal amount) thereof;
- (d) Guaranty Obligations in favor of the Administrative Agent for the benefit of the Administrative Agent and the Lenders;
- (e) Unsecured:
  - (i) Subordinated Indebtedness owed by any Credit Party to another Credit Party,
  - (ii) Subordinated Indebtedness owed by any Credit Party to a Foreign Subsidiary,
  - (iii) Indebtedness owed by a Foreign Subsidiary to any Credit Party; *provided* that the aggregate amount of such Indebtedness outstanding at any time pursuant to this clause (iii) shall not exceed the Foreign Investment Limitation (calculated without regard to clause (b) of the definition of Foreign Investment Limitation and excluding the Existing Canadian Note) as of any date of determination,
  - (iv) Indebtedness owed by a Foreign Subsidiary to another Foreign Subsidiary,
  - (v) Subordinated Indebtedness consisting of promissory notes issued to current or former officers, directors and employees (or their estates, spouses or former spouses) of the Borrower or any Subsidiary to purchase or redeem Capital Stock of the Borrower permitted by *Section 11.6(d)*; and
  - (vi) Guaranty Obligations by the Borrower on behalf of any Credit Party or Foreign Subsidiary up to \$1,000,000;

(f) Indebtedness pursuant to the following clauses (i) through (v) (and any extension, renewal, replacement or refinancing thereof, but not to increase the aggregate principal amount); *provided* that at the time such Indebtedness is incurred, the Administrative Agent and the Lenders shall have received from the Borrower an Officer's Compliance Certificate in form and substance satisfactory to the Administrative Agent (including an Adjusted Consolidated EBITDA Reconciliation for the fiscal period covered by such Officer's Compliance Certificate), demonstrating that, after giving effect to the incurrence of any such Indebtedness, the Borrower will be in pro forma compliance with the financial covenants set forth in *Section 10.2, Section 10.3 and Section 10.5*, if applicable at such time:

(i) Indebtedness of the Borrower and its Subsidiaries incurred in connection with Capital Leases and/or purchase money Indebtedness of the Borrower and its Subsidiaries in an aggregate amount not to exceed \$25,000,000 on any date of determination;

(ii) Indebtedness of a Person existing at the time such Person became a Subsidiary or assets were acquired from such Person, to the extent such Indebtedness was not incurred in connection with or in contemplation of, such Person becoming a Subsidiary or the acquisition of such assets, not to exceed in the aggregate at any time outstanding \$10,000,000;

(iii) Guaranty Obligations with respect to Indebtedness permitted pursuant to subsection (f) of this Section;

(iv) Indebtedness of Foreign Subsidiaries, not to exceed in the aggregate at any time outstanding \$2,000,000; *provided* that no Default or Event of Default shall have occurred and be continuing, or result therefrom, as of the date of incurrence of any such Indebtedness;

(v) additional unsecured or Subordinated Indebtedness not otherwise permitted pursuant to this Section in an aggregate amount outstanding not to exceed \$200,000,000; *provided* that in the case of each issuance of such Indebtedness, (i) no Default or Event of Default shall have occurred and be continuing or would be caused by the issuance of such Indebtedness, (ii) the Borrower shall have complied with the applicable requirements of *Section 4.4(b)*, and (iii) such Indebtedness shall mature no earlier than the date which is six (6) months following the later of (x) the Term Loan Maturity Date and (y) the Revolving Credit Maturity Date, (iv) the terms of such Indebtedness shall comply with the terms of *Section 11.11* hereof and (v) such Indebtedness shall otherwise contain terms, conditions, representations and warranties customary for such type of Indebtedness at the time such Indebtedness is incurred.

(g) Indebtedness incurred in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance, surety and similar bonds and completion guarantees provided by the Borrower or one of its Subsidiaries in the ordinary course of business;

(h) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument in the ordinary course of business inadvertently drawn against insufficient funds, provide however, that such Indebtedness is extinguished within five (5) Business Days; and

(i) Indebtedness arising from any agreement by the Borrower or any of its Subsidiaries providing for indemnities, guarantees, purchase price adjustments, holdbacks, contingency payment obligations based on the performances of the acquired or disposed assets or similar obligations incurred by any Person in connection with the acquisition or disposition of assets or Capital Stock as permitted by this Agreement.

SECTION 11.2 *Limitations on Liens.* Create, incur, assume or suffer to exist, any Lien on or with respect to any of its assets or properties (including, without limitation, shares of Capital Stock), real or personal, whether now owned or hereafter acquired, except:

- (a) Liens of the Administrative Agent for the benefit of the Administrative Agent and the Lenders under the Loan Documents;
- (b) Liens not otherwise permitted by this Section and in existence on the Closing Date and described on *Schedule 11.2*;
- (c) Liens for taxes, assessments and other governmental charges or levies not yet due or as to which the period of grace if any, related thereto has not expired or which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;
- (d) the claims of materialmen, mechanics, carriers, warehousemen, processors or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, (i) which are not overdue for a period of more than ninety (90) days or (ii) which are being contested in good faith and by appropriate proceedings if adequate reserves are maintained to the extent required by GAAP;
- (e) Liens consisting of deposits or pledges made in the ordinary course of business in connection with, or to secure payment of, obligations under workers' compensation, unemployment insurance or similar legislation;
- (f) Liens constituting encumbrances in the nature of zoning restrictions, easements and rights or restrictions of record on the use of real property, which in the aggregate are not substantial in amount and which do not, in any case, detract from the value of such property or impair the use thereof in the ordinary conduct of business;
- (g) Liens existing on any asset of any Person at the time such Person becomes a Subsidiary or is merged or consolidated with or into a Subsidiary which (i) were not created in contemplation of or in connection with such event and (ii) do not extend to or cover any other property or assets of Borrower or any Subsidiary, so long as any Indebtedness related to any such Liens are permitted under *Section 11.1(f)(ii)*;
- (h) Liens securing Indebtedness permitted under *Section 11.1(f)(i)*; *provided* that (i) such Liens shall be created substantially simultaneously with the acquisition or lease of the related asset, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased and (iv) the principal amount of Indebtedness secured by any such Lien shall at no time exceed one hundred percent (100%) of the original purchase price or lease payment amount of such property at the time it was acquired;
- (i) Liens securing Indebtedness permitted under *Section 11.1(f)(iv)*; *provided* that such liens do not at any time encumber any property other than that of the applicable Foreign Subsidiary obligated with respect to such Indebtedness;
- (j) Liens not otherwise permitted hereunder securing obligations not at any time exceeding in the aggregate \$5,000,000;
- (k) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;
- (l) Liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security;

- (m) rights of banks to set off deposits against debts owed to such banks;
- (n) Liens upon specific items of inventory or other goods and proceeds of the Borrower and its Subsidiaries securing their obligations in respect of bankers' acceptances issued or created for the account of any such Person to facilitate the purchase, storage or shipment of such inventory or other goods;
- (o) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (p) Liens securing reimbursement obligations with respect to letters of credit as contemplated by *Article III* or which encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (q) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Borrower or one of its Subsidiaries relating to such property or assets;
- (r) Liens on assets that are the subject of a sale and leaseback transaction permitted by the provisions of this Agreement;
- (s) Liens securing Satellite Vendor Obligations; *provided* that such Lien does not attach or encumber any asset or property of the Borrower or any Subsidiary thereof other than the asset or personal property which is the subject of such obligation or the Escrow Account; and
- (t) Liens securing Indebtedness permitted by *Section 11.1(b)*.

**SECTION 11.3 *Limitations on Loans, Advances, Investments and Acquisitions.*** Purchase, own, invest in or otherwise acquire, directly or indirectly, any Capital Stock, interests in any partnership or joint venture (including, without limitation, the creation or capitalization of any Subsidiary), evidence of Indebtedness or other obligation or security, substantially all or a portion of the business or assets of any other Person or any other investment or interest whatsoever in any other Person, or make or permit to exist, directly or indirectly, any loans, advances or extensions of credit to, or any investment in cash or by delivery of property in, any Person except:

- (a) investments:
  - (i) existing on the Closing Date in Subsidiaries existing on the Closing Date;
  - (ii) after the Closing Date in (A) existing Subsidiaries and/or (B) Subsidiaries formed or acquired after the Closing Date; *provided that*:
    - (I) the Borrower and its Subsidiaries comply with the applicable provisions of *Section 9.11*; and
    - (II) the amount of any such investments in a Foreign Subsidiary shall not exceed the Foreign Investment Limitation as of the date of such investment;
  - (iii) the other loans, advances and investments described on *Schedule 11.3* existing on the Closing Date;
  - (iv) by any Subsidiary in the Borrower;
- (b) investments in (i) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency thereof maturing within one hundred twenty (120) days from the date of acquisition thereof, (ii) commercial paper maturing no more than one hundred twenty (120) days from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. or Moody's Investors Service, Inc., (iii) certificates of deposit maturing no more than one hundred

twenty (20) days from the date of creation thereof issued by commercial banks incorporated under the laws of the United States, each having combined capital, surplus and undivided profits of not less than \$500,000,000 and having a rating of "A" or better by a nationally recognized rating agency; *provided*, that the aggregate amount invested in such certificates of deposit shall not at any time exceed \$5,000,000 for any one such certificate of deposit and \$10,000,000 for any one such bank, (iv) time deposits maturing no more than thirty (30) days from the date of creation thereof with commercial banks or savings banks or savings and loan associations each having membership either in the FDIC or the deposits of which are insured by the FDIC and in amounts not exceeding the maximum amounts of insurance thereunder, and (v) other investments permitted by the Borrower's investment policy as of the date hereof in the form attached hereto as Schedule 11.3(b) (including any amendment to Section V "Concentration Limits/Credit Quality" of such investment policy to the extent allowing for investments in any investment grade corporate bonds);

(c) investments by the Borrower or any of its Subsidiaries in the form of Permitted Acquisitions or Permitted Joint Venture Investments; *provided* that the amount of any such investments in a Foreign Subsidiary (or any entity that would constitute a Foreign Subsidiary if the Borrower or one of its Subsidiaries owned more than fifty percent (50%) of the outstanding Capital Stock of such entity) shall not exceed the Foreign Investment Limitation as of the date of such investment;

(d) Hedging Agreements permitted pursuant to *Section 11.1* and investments in collateral accounts securing Hedging Agreements;

(e) purchases of assets in the ordinary course of business;

(f) investments in the form of loans and advances to employees in the ordinary course of business, which, in the aggregate, do not exceed at any time \$500,000;

(g) intercompany Indebtedness permitted pursuant to *Section 11.1(e)*;

(h) loans to one or more officers or other employees of the Borrower or its Subsidiaries in connection with such officers' or employees' acquisition of Capital Stock of the Borrower in the ordinary course of business, consistent with the Borrower's equity incentive plan;

(i) other additional investments not otherwise permitted pursuant to this Section not exceeding \$2,000,000 in the aggregate in any Fiscal Year;

(j) endorsement of checks or bank drafts for deposit or collection in the ordinary course of business;

(k) performance, surety and appeal bonds;

(l) investments made solely with the proceeds of the sale of Capital Stock by the Borrower; and

(m) investments consisting of non-cash consideration received by the Borrower or any of its Subsidiaries from the sale of assets or Capital Stock of a Subsidiary as permitted by this Agreement.

**SECTION 11.4 *Limitations on Mergers and Liquidation.*** Merge, consolidate or enter into any similar combination with any other Person or liquidate, wind-up or dissolve itself (or suffer any liquidation or dissolution) except:

(a) any Wholly-Owned Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (*provided* that the Borrower shall be the continuing or surviving Person) or with

or into any Subsidiary Guarantor (*provided* that the Subsidiary Guarantor shall be the continuing or surviving Person);

(b) any Wholly Owned Subsidiary may sell, lease, transfer or otherwise dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any other Wholly Owned Subsidiary; (*provided* that if the transferor in such a transaction is a Subsidiary Guarantor, then the transferee must either be the Borrower or a Subsidiary Guarantor);

(c) any Wholly-Owned Subsidiary of the Borrower may merge with or into the Person such Wholly-Owned Subsidiary was formed to acquire in connection with a Permitted Acquisition; and

(d) any Subsidiary of the Borrower may wind-up into the Borrower or any Subsidiary Guarantor.

SECTION 11.5 *Limitations on Asset Dispositions.* Make any Asset Disposition (including, without limitation, the sale of any receivables and leasehold interests and any sale-leaseback or similar transaction) except:

(a) the sale of inventory in the ordinary course of business;

(b) the sale of obsolete, damaged, worn-out or surplus assets no longer needed in the business of the Borrower or any of its Subsidiaries;

(c) the transfer of assets to the Borrower or any Subsidiary Guarantor pursuant to *Section 11.4 (b)*;

(d) the sale or discount without recourse of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(e) subject to the requirements of *Section 9.12*, the disposition of any Hedging Agreement;

(f) any lease related to the Communications Licenses; and

(g) additional Asset Dispositions not otherwise permitted pursuant to this Section in an aggregate amount not to exceed \$10,000,000 in any Fiscal Year.

SECTION 11.6 *Limitations on Dividends and Distributions.* Declare or pay any dividends upon any of its Capital Stock; purchase, redeem, retire or otherwise acquire, directly or indirectly, any shares of its Capital Stock, or make any distribution of cash, property or assets among the holders of shares of its Capital Stock, or make any change in its capital structure which such change in its capital structure could reasonably be expected to have a Material Adverse Effect; *provided* that:

(a) the Borrower or any Subsidiary may pay dividends in shares of its own Capital Stock;

(b) any Subsidiary may pay cash dividends to the Borrower or any other Subsidiary that is its parent;

(c) so long as no Default or Event of Default shall have occurred and be continuing, at the time thereof, the Borrower may purchase, redeem, retire, defease or otherwise acquire shares of its Capital Stock with the proceeds received contemporaneously from the issue of new shares of its Capital Stock with equal or inferior voting powers, designations, preferences and rights;

(d) so long as no Default or Event of Default shall have occurred and be continuing, at the time thereof, the Borrower may purchase (with cash or notes) Capital Stock of the Borrower from former directors or employees of the Borrower or its Subsidiaries, their estates, spouses or former spouses in connection with the termination of such employee's employment (or such director's directorship); *provided* that, (i) no such note shall require any payment if such payment or a distribution by the Borrower to make such payment is prohibited by the terms of this Agreement and (ii) the aggregate amount of all payments under this *Section 11.6(d)* (including payments in

respect of any such purchase or any such notes) shall not exceed the sum of (A) \$500,000 in any Fiscal Year or \$1,000,000 in the aggregate during the term of this Agreement, plus (B) the amount of any cash equity contributions received by the Borrower for the purpose of making such payments and used for such purpose; and

(e) any non-Wholly Owned Subsidiary may make pro rata dividends or distributions to holders of its Capital Stock.

**SECTION 11.7 Limitations on Exchange and Issuance of Capital Stock.** Issue, sell or otherwise dispose of any class or series of Capital Stock that, by its terms or by the terms of any security into which it is convertible or exchangeable, is, or upon the happening of an event or passage of time would be, (a) convertible or exchangeable into Indebtedness or (b) required to be redeemed or repurchased, including at the option of the holder, in whole or in part, or has, or upon the happening of an event or passage of time would have, a redemption or similar payment due.

**SECTION 11.8 Transactions with Affiliates.** Directly or indirectly (a) make any loan or advance to, or purchase or assume any note or other obligation to or from, any of its officers, directors, shareholders or other Affiliates, or to or from any member of the immediate family of any of its officers, directors, shareholders or other Affiliates, or subcontract any operations to any of its Affiliates or (b) enter into, or be a party to, any other transaction not described in clause (a) above with any of its Affiliates other than:

(i) transactions permitted by *Sections 11.1, 11.3, 11.4, 11.6 and 11.7*;

(ii) transactions existing on the Closing Date and described on *Schedule 11.8*;

(iii) normal compensation and reimbursement of reasonable expenses of officers and directors including adoption of a restricted stock bonus or purchase plan;

(iv) other transactions in the ordinary course of business on terms as favorable as would be obtained by it on a comparable arms-length transaction with an independent, unrelated third party as determined in good faith by the board of directors of the Borrower;

(v) transactions approved or ratified in accordance with the Borrower's Related Person Transaction Policy, as amended;

(vi) the Borrower's incentive compensation plan described in *Schedule 11.8(vi)*; and

(vii) transactions pursuant to this Agreement and the Loan Documents.

**SECTION 11.9 Certain Accounting Changes; Organizational Documents.** (a) Change its Fiscal Year end, or make any change in its accounting treatment and reporting practices except as required by GAAP or (b) amend, modify or change (i) its articles of incorporation (or corporate charter or other similar organizational documents), or (ii) its bylaws (or other similar documents), in any such case, in any manner adverse in any respect to the rights or interests of the Lenders.

**SECTION 11.10 Amendments; Payments and Prepayments of Subordinated Indebtedness.**

(a) Amend or modify (or permit the modification or amendment of) any of the terms or provisions of any Subordinated Indebtedness in any respect which would materially adversely affect the rights or interests of the Administrative Agent and Lenders hereunder.

(b) Cancel, forgive, make any payment or prepayment on, or redeem or acquire for value (including, without limitation, (i) by way of depositing with any trustee with respect thereto money or securities before due for the purpose of paying when due and (ii) at the maturity thereof) any Subordinated Indebtedness, except refinancings, refundings, renewals, extensions or exchange of any Subordinated Indebtedness permitted by *Section 11.1(e)*.

SECTION 11.11 *Restrictive Agreements.*

(a) Enter into any Indebtedness which contains any negative pledge on assets or any covenants more restrictive than the provisions of *Articles IX, X and XI*, or which restricts, limits or otherwise encumbers its ability to incur Liens on or with respect to any of its assets or properties other than the assets or properties securing such Indebtedness.

(b) Enter into or permit to exist any agreement which impairs or limits the ability of any Subsidiary of the Borrower to pay dividends to the Borrower.

SECTION 11.12 *Nature of Business.* Alter in any material respect the character or conduct of the business conducted by the Borrower and its Subsidiaries as of the Closing Date. Without limiting the foregoing, the Borrower will not permit or cause any License Subsidiary to engage in any line of business or engage in any other activity (including without limitation incurring liabilities) other than the ownership of one or more Communications Licenses; *provided, however*, that, subject to any restrictions under Applicable Law with respect to Communications Licenses, the Borrower shall cause each of the License Subsidiaries to execute and deliver the Guaranty Agreement, the Security Agreement and each other Loan Document to which such License Subsidiary is a party. In no event shall (a) any License Subsidiary own any assets other than one or more Communications Licenses (and assets reasonably related thereto to the extent necessary to comply with all Applicable Law) and (b) neither the Borrower nor any Subsidiary other than a License Subsidiary shall hold any Communications License issued by the FCC.

SECTION 11.13 *Maximum Satellite Vendor Obligations.* Create, incur, assume or suffer to exist outstanding Satellite Vendor Obligations that are reasonably expected to come due during the term of this Agreement and that will not constitute Excluded Capital Expenditures in an aggregate amount in excess of an amount equal to (a) the aggregate amount of Covenant Capital Expenditures allowed under this Agreement during the term hereof *less* (b) the aggregate amount of all Covenant Capital Expenditures actually made during the term of this Agreement.

SECTION 11.14 *Impairment of Security Interests.* Take or omit to take any action, which might or would have the result of materially impairing the security interests in favor of the Administrative Agent with respect to the Collateral or grant to any Person (other than the Administrative Agent for the benefit of itself and the Lenders pursuant to the Security Documents) any interest whatsoever in the Collateral, except for Indebtedness permitted under *Section 11.1*, Permitted Liens and Asset Dispositions permitted under *Section 11.5*.

ARTICLE XII

*DEFAULT AND REMEDIES*

SECTION 12.1 *Events of Default.* Each of the following shall constitute an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment or order of any court or any order, rule or regulation of any Governmental Authority or otherwise:

(a) *Default in Payment of Principal of Loans and Reimbursement Obligations. Default in Payment of Principal of Loans and Reimbursement Obligations.* The Borrower shall default in any payment of principal of any Loan or Reimbursement Obligation when and as due (whether at maturity, by reason of acceleration or otherwise).

(b) *Other Payment Default.* The Borrower or any other Credit Party shall default in the payment when and as due (whether at maturity, by reason of acceleration or otherwise) of interest on any Loan or Reimbursement Obligation or the payment of any other Obligation, and such default shall continue for a period of five (5) Business Days.

(c) *Misrepresentation.* Any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Credit Party herein, in any other Loan Document, or in any document delivered in connection herewith or therewith that is subject to materiality or Material Adverse Effect qualifications, shall be incorrect or misleading in any respect when made or deemed made or any representation, warranty, certification or statement of fact made or deemed made by or on behalf of the Borrower or any other Credit Party herein, any other Loan Document, or in any document delivered in connection herewith or therewith that is not subject to materiality or Material Adverse Effect qualifications, shall be incorrect or misleading in any material respect when made or deemed made

(d) *Default in Performance of Certain Covenants.* The Borrower or any other Credit Party shall default in the performance or observance of any covenant or agreement contained in *Section 8.1, Section 8.2 or Section 8.5(e)(i) or Articles X or XI.*

(e) *Default in Performance of Other Covenants and Conditions.* The Borrower or any other Credit Party shall default in the performance or observance of any term, covenant, condition or agreement contained in this Agreement (other than as specifically provided for otherwise in this Section) or any other Loan Document and such default shall continue for a period of thirty (30) days after written notice thereof has been given to the Borrower by the Administrative Agent.

(f) *Indebtedness Cross-Default.* The Borrower or any other Credit Party shall (i) default in the payment of any Indebtedness (other than the Loans or any Reimbursement Obligation) the aggregate outstanding amount of which Indebtedness is in excess of \$5,000,000 beyond the period of grace if any, provided in the instrument or agreement under which such Indebtedness was created, or (ii) default in the observance or performance of any other agreement or condition relating to any Indebtedness (other than the Loans or any Reimbursement Obligation) the aggregate outstanding amount of which Indebtedness is in excess of \$5,000,000 or contained in any instrument or agreement evidencing, securing or relating thereto or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders) to cause, with the giving of notice if required, any such Indebtedness to become due prior to its stated maturity (any applicable grace period having expired).

(g) *Other Cross-Defaults.* The Borrower or any other Credit Party shall default in the payment when due, or in the performance or observance, of any obligation or condition of any Material Contract unless, but only as long as, the existence of any such default is being contested by the Borrower or any such Subsidiary in good faith by appropriate proceedings and adequate reserves in respect thereof have been established on the books of the Borrower or such Credit Party to the extent required by GAAP.

(h) *Change in Control.* Any Change in Control shall occur.

(i) *Voluntary Bankruptcy Proceeding.* The Borrower or any Subsidiary thereof shall (i) commence a voluntary case under the federal bankruptcy laws (as now or hereafter in effect), (ii) file a petition seeking to take advantage of any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or composition for adjustment of debts, (iii) consent to or fail to contest in a timely and appropriate manner any petition filed against it in an involuntary case under such bankruptcy laws or other laws, (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign, (v) admit in writing its inability to pay its debts as they become due, (vi) make a general assignment for the benefit of creditors, or (vii) take any corporate action for the purpose of authorizing any of the foregoing.

(j) *Involuntary Bankruptcy Proceeding.* A case or other proceeding shall be commenced against the Borrower or any Subsidiary thereof in any court of competent jurisdiction seeking (i) relief under the federal bankruptcy laws (as now or hereafter in effect) or under any other laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding up or adjustment of debts, or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like for the Borrower or any Subsidiary thereof or for all or any substantial part of their respective assets, domestic or foreign, and such case or proceeding shall continue without dismissal or stay for a period of sixty (60) consecutive days, or an order granting the relief requested in such case or proceeding (including, but not limited to, an order for relief under such federal bankruptcy laws) shall be entered.

(k) *Failure of Agreements.* Any provision of this Agreement or any provision of any other Loan Document shall for any reason cease to be valid and binding on the Borrower or any other Credit Party party thereto or any such Person shall so state in writing, or any Loan Document shall for any reason cease to create a valid and perfected first priority Lien on, or security interest in, any of the Collateral purported to be covered thereby, in each case other than in accordance with the express terms hereof or thereof.

(l) *Termination Event.* The occurrence of any of the following events: (i) the Borrower or any ERISA Affiliate fails to make full payment when due of all amounts which, under the provisions of any Pension Plan or Section 412 of the Code, the Borrower or any ERISA Affiliate is required to pay as contributions thereto, (ii) an accumulated funding deficiency in excess of \$2,500,000 occurs or exists, whether or not waived, with respect to any Pension Plan, (iii) a Termination Event which, if such Termination Event is reasonably susceptible to cure, is not cured within thirty (30) days after the occurrence thereof or (iv) the Borrower or any ERISA Affiliate as an employer under one or more Multiemployer Plans makes a complete or partial withdrawal from any such Multiemployer Plan and the plan sponsor of such Multiemployer Plans notifies such withdrawing employer that such employer has incurred a withdrawal liability requiring payments in an amount exceeding \$2,500,000.

(m) *Judgment.* A judgment or order for the payment of money which causes the aggregate amount of all such judgments to exceed \$1,000,000 in any Fiscal Year shall be entered against the Borrower or any Credit Party by any court and such judgment or order shall continue without having been discharged, vacated or stayed for a period of thirty (30) days after the entry thereof.

(n) *Environmental.* Any one or more Environmental Claims shall have been asserted against the Borrower or any of its Subsidiaries; the Borrower or any of its Subsidiaries would be reasonable likely to incur liability as a result thereof; and such liability would be reasonably likely, individually or in the aggregate, to have a Material Adverse Effect.

(o) *Communications Licenses.* The Borrower and its Subsidiaries taken as a whole, shall fail to hold (either through revocation, forfeiture, failure of renewal, or otherwise) all required material authorizations and licenses (including without limitation all Material Communications Licenses) or any Material Communications License shall be lost, terminated, forfeited or revoked or shall fail to be renewed for any reason whatsoever, or shall be modified in a manner which could reasonably be expected to have a Material Adverse Effect.

(p) *Government Contracts.* Any of the Borrower, its Subsidiaries or its Affiliates, (i) is debarred or suspended by any Governmental Authority, or has been issued a notice of proposed debarment or notice of proposed suspension by any Governmental Authority; (ii) is the subject of an investigation by any Governmental Authority (other than a normal and customary review) involving or possibly involving fraud or willful misconduct which could reasonably be expected to result in criminal liability, civil liability or expense in excess of \$1,000,000, suspension, debarment or any other adverse administrative action; or (iii) is a party to any Material Contract with any Governmental Authority which has been actually terminated due to the Borrower's, such Subsidiary's or such Affiliate's alleged fraud or willful misconduct.

SECTION 12.2 *Remedies.* Upon the occurrence of an Event of Default, with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower:

(a) *Acceleration; Termination of Facilities.* Terminate the Revolving Credit Commitment and declare the principal of and interest on the Loans and the Reimbursement Obligations at the time outstanding, and all other amounts owed to the Lenders and to the Administrative Agent under this Agreement or any of the other Loan Documents and all other Obligations, to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by each Credit Party, anything in this Agreement or the other Loan Documents to the contrary notwithstanding, and terminate the Credit Facility and any right of the Borrower to request borrowings thereunder; *provided*, that upon the occurrence of an Event of Default specified in *Section 12.1(j)* or *(k)*, the Credit Facility shall be automatically terminated and all Obligations shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by each Credit Party, anything in this Agreement or in any other Loan Document to the contrary notwithstanding.

(b) *Rights of Collection.* Exercise on behalf of the Lenders all of its other rights and remedies under this Agreement, the other Loan Documents and Applicable Law, in order to satisfy all of the Borrower's Obligations.

SECTION 12.3 *Rights and Remedies Cumulative; Non-Waiver; etc.* The enumeration of the rights and remedies of the Administrative Agent and the Lenders set forth in this Agreement is not intended to be exhaustive and the exercise by the Administrative Agent and the Lenders of any right or remedy shall not preclude the exercise of any other rights or remedies, all of which shall be cumulative, and shall be in addition to any other right or remedy given hereunder or under the other Loan Documents or that may now or hereafter exist at law or in equity or by suit or otherwise. No delay or failure to take action on the part of the Administrative Agent or any Lender in exercising any right, power or privilege shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege or shall be construed to be a waiver of any Event of Default. No course of dealing between the Borrower, the Administrative Agent and the Lenders or their respective agents or employees shall be effective to change, modify or discharge any provision of this Agreement or any of the other Loan Documents or to constitute a waiver of any Event of Default.

SECTION 12.4 *Crediting of Payments and Proceeds.* In the event that the Borrower shall fail to pay any of the Obligations when due and the Obligations have been accelerated pursuant to *Section 12.2*, all payments received by the Lenders upon the Obligations and all net proceeds from the enforcement of the Obligations shall be applied:

*First*, to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts, including attorney fees, payable to the Administrative Agent in its capacity as such;

*Second*, to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders, including attorney fees (ratably among the Lenders in proportion to the respective amounts described in this clause *Second* payable to them);

*Third*, to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans (ratably among the Lenders in proportion to the respective amounts described in this clause *Third* payable to them);

*Fourth*, to payment of that portion of the Obligations constituting unpaid principal of the Loans (ratably among the Lenders in proportion to the respective amounts described in this clause *Fourth* held by them); and

*Last*, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Applicable Law.

SECTION 12.5 *Administrative Agent May File Proofs of Claim.* In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to any Credit Party, the Administrative Agent (irrespective of whether the principal of any Loan shall then be due and payable as herein expressed or by declaration or otherwise and irrespective of whether the Administrative Agent shall have made any demand on the Borrower) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of the principal and interest owing and unpaid in respect of the Loans and all other Obligations that are owing and unpaid and to file such other documents as may be necessary or advisable in order to have the claims of the Lenders and the Administrative Agent (including any claim for the reasonable compensation, expenses, disbursements and advances of the Lenders and the Administrative Agent and their respective agents and counsel and all other amounts due the Lenders and the Administrative Agent under *Sections 3.3, 5.3 and 14.3*) allowed in such judicial proceeding; and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Lender to make such payments to the Administrative Agent and, in the event that the Administrative Agent shall consent to the making of such payments directly to the Lenders, to pay to the Administrative Agent any amount due for the reasonable compensation, expenses, disbursements and advances of the Administrative Agent and its agents and counsel, and any other amounts due the Administrative Agent under *Sections 3.3, 5.3 and 14.3*.

Nothing contained herein shall be deemed to authorize the Administrative Agent to authorize or consent to or accept or adopt on behalf of any Lender any plan of reorganization, arrangement, adjustment or composition affecting the Obligations or the rights of any Lender or to authorize the Administrative Agent to vote in respect of the claim of any Lender in any such proceeding.

## THE ADMINISTRATIVE AGENT

SECTION 13.1 *Appointment and Authority.* Each of the Lenders hereby irrevocably appoints Thermo Funding Company LLC to act on its behalf as the Administrative Agent hereunder and under the other Loan Documents and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof or thereof, together with such actions and powers as are reasonably incidental thereto. The provisions of this Article are solely for the benefit of the Administrative Agent and the Lenders, and neither the Borrower nor any Subsidiary thereof shall have rights as a third party beneficiary of any of such provisions.

SECTION 13.2 *Rights as a Lender.* The Person serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated or unless the context otherwise requires, include the Person serving as the Administrative Agent hereunder in its individual capacity. Such Person and its Affiliates may accept deposits from, lend money to, act as the financial advisor or in any other advisory capacity for and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if such Person were not the Administrative Agent hereunder and without any duty to account therefor to the Lenders.

SECTION 13.3 *Exculpatory Provisions.* The Administrative Agent shall not have any duties or obligations except those expressly set forth herein and in the other Loan Documents. Without limiting the generality of the foregoing, the Administrative Agent:

(a) shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing;

(b) shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that the Administrative Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); *provided* that the Administrative Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose the Administrative Agent to liability or that is contrary to any Loan Document or Applicable Law; and

(c) shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Affiliates that is communicated to or obtained by the Person serving as the Administrative Agent or any of its Affiliates in any capacity.

The Administrative Agent shall not be liable for any action taken or not taken by it (i) with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary, or as the Administrative Agent shall believe in good faith shall be necessary, under the circumstances as provided in *Section 14.2* and *Section 12.2*) or (ii) in the absence of its own gross negligence or willful misconduct as determined by a court of competent jurisdiction by final nonappealable judgment. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until notice describing such Default is given to the Administrative Agent by the Borrower or a Lender.

The Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement or any other Loan Document, (ii) the contents of any certificate, report or other document delivered

hereunder or thereunder or in connection herewith or therewith, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or therein or the occurrence of any Default, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement, any other Loan Document or any other agreement, instrument or document or (v) the satisfaction of any condition set forth in *Article VI* or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

**SECTION 13.4 *Reliance by the Administrative Agent.*** The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing (including any electronic message, Internet or intranet website posting or other distribution) believed by it to be genuine and to have been signed, sent or otherwise authenticated by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to have been made by the proper Person, and shall not incur any liability for relying thereon. In determining compliance with any condition hereunder to the making of a Loan that by its terms must be fulfilled to the satisfaction of a Lender, the Administrative Agent may presume that such condition is satisfactory to such Lender unless the Administrative Agent shall have received notice to the contrary from such Lender prior to the making of such Loan. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

**SECTION 13.5 *Delegation of Duties.*** The Administrative Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Loan Document by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all of its duties and exercise its rights and powers by or through their respective Related Parties. The exculpatory provisions of this Article shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

**SECTION 13.6 *Resignation of Administrative Agent.***

The Administrative Agent may at any time give notice of its resignation to the Lenders and the Borrower. Upon receipt of any such notice of resignation, the Required Lenders shall have the right, in consultation with the Borrower, to appoint a successor. If no such successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within thirty (30) days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may on behalf of the Lenders, appoint a successor Administrative Agent meeting the qualifications set forth above provided that if the Administrative Agent shall notify the Borrower and the Lenders that no qualifying Person has accepted such appointment, then such resignation shall nonetheless become effective in accordance with such notice and (1) the retiring Administrative Agent shall be discharged from its duties and obligations hereunder and under the other Loan Documents (except that in the case of any collateral security held by the Administrative Agent on behalf of the Lenders under any of the Loan Documents, the retiring Administrative Agent shall continue to hold such collateral security until such time as a successor Administrative Agent is appointed) and (2) all payments, communications and determinations provided to be made by, to or through the Administrative Agent shall instead be made by or to each Lender directly, until such time as the Required Lenders appoint a successor Administrative Agent as provided for above in this paragraph. Upon the acceptance of a successor's appointment as Administrative Agent hereunder, such successor shall succeed to and become vested with all of the rights, powers, privileges and duties of the retiring (or retired) Administrative Agent, and the retiring Administrative Agent shall be discharged from all of its duties and obligations hereunder or under the other Loan Documents (if not already discharged

therefrom as provided above in this paragraph). The fees payable by the Borrower to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the retiring Administrative Agent's resignation hereunder and under the other Loan Documents, the provisions of this Article and *Section 14.3* shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while the retiring Administrative Agent was acting as Administrative Agent.

*SECTION 13.7 Non-Reliance on Administrative Agent and Other Lenders.* Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender or any of their Related Parties and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

*SECTION 13.8 Collateral and Guaranty Matters.* The Lenders irrevocably authorize the Administrative Agent, at its option and in its discretion,

(a) to release any Lien on any Collateral granted to or held by the Administrative Agent, for the ratable benefit of itself and the Lenders, under any Loan Document (i) upon repayment of the outstanding principal of and all accrued interest on the Loans and Reimbursement Obligations, payment of all outstanding fees and expenses hereunder, the termination of the Revolving Credit Commitment, (ii) that is sold or to be sold as part of or in connection with any sale permitted hereunder or under any other Loan Document, or (iii) subject to *Section 14.2*, if approved, authorized or ratified in writing by the Required Lenders;

(b) to subordinate or release any Lien on any Collateral granted to or held by the Administrative Agent under any Loan Document to the holder of any Permitted Lien; and

(c) to release any Subsidiary Guarantor from its obligations under the Guaranty Agreement if such Person ceases to be a Subsidiary as a result of a transaction permitted hereunder.

Upon request by the Administrative Agent at any time, the Required Lenders will confirm in writing the Administrative Agent's authority to release or subordinate its interest in particular types or items of property, or to release any Subsidiary Guarantor from its obligations under the Guaranty Agreement pursuant to this Section.

#### ARTICLE XIV

#### MISCELLANEOUS

*SECTION 14.1 Notices.*

(a) *Method of Communication.* Except as otherwise provided in this Agreement, all notices and communications hereunder shall be in writing (for purposes hereof, the term "writing" shall include information in electronic format such as electronic mail and internet web pages), or by telephone subsequently confirmed in writing. Any notice shall be effective if delivered by hand delivery or sent via electronic mail, posting on an internet web page, telecopy, recognized overnight courier service or certified mail, return receipt requested, and shall be presumed to be received by a party hereto (i) on the date of delivery if delivered by hand or sent by electronic mail, posting on an internet web page, telecopy, (ii) on the next Business Day if sent by recognized overnight courier service and (iii) on the third Business Day following the date sent by certified mail, return receipt requested. A telephonic

notice to the Administrative Agent as understood by the Administrative Agent will be deemed to be the controlling and proper notice in the event of a discrepancy with or failure to receive a confirming written notice.

(b) *Addresses for Notices.* Notices to any party shall be sent to it at the following addresses, or any other address as to which all the other parties are notified in writing.

If to the Borrower:	Globalstar, Inc. 461 South Milpitas Boulevard Building 5, Suite 1 and 2 Milpitas, CA 95035 Attention: Chief Financial Officer and Vice President—Legal and Regulatory Affairs Telephone No.: (408) 933-4403 Telecopy No.: (408) 933-4949
With a copy to:	Taft, Stettinius & Hollister LLP 425 Walnut Street Cincinnati, OH 45202 Attention: Gerald S. Greenberg, Esq. Telephone No.: (513) 357-9670 Telecopy No.: (513) 381-0205
If to the Administrative Agent:	Thermo Funding Company LLC 1735 Nineteenth Street Denver, Colorado 80202 Attention: Telephone No.: (303) Telecopy No.: (303)
With a copy to:	
If to any Lender:	To the address set forth on the Register

(c) *Administrative Agent's Office.* The Administrative Agent hereby designates its office located at the address set forth above, or any subsequent office which shall have been specified for such purpose by written notice to the Borrower and Lenders, as the Administrative Agent's Office referred to herein, to which payments due are to be made and at which Loans will be disbursed.

SECTION 14.2 *Amendments, Waivers and Consents.* Except as set forth below or as specifically provided in any Loan Document, any term, covenant, agreement or condition of this Agreement or any of the other Loan Documents may be amended or waived by the Lenders, and any consent given by the Lenders, if, but only if, such amendment, waiver or consent is in writing signed by the Required Lenders (or by the Administrative Agent with the consent of the Required Lenders) and delivered to the Administrative Agent and, in the case of an amendment, signed by the Borrower; *provided*, that no amendment, waiver or consent shall:

- (a) waive any condition set forth in *Section 6.2* without the written consent of each Lender directly affected thereby;
- (b) extend or increase the Revolving Credit Commitment of any Lender (or reinstate any Revolving Credit Commitment terminated pursuant to *Section 12.2*) or the amount of Loans of any Lender without the written consent of such Lender;
- (c) postpone any date fixed by this Agreement or any other Loan Document for any payment (excluding mandatory prepayments) of principal, interest, fees or other amounts due to the

Lenders (or any of them) hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby;

(d) reduce the principal of, or the rate of interest specified herein on, any Loan or (subject to clause (iv) of the second proviso to this Section) any fees or other amounts payable hereunder or under any other Loan Document without the written consent of each Lender directly affected thereby; *provided* that only the consent of the Required Lenders shall be necessary (i) to waive any obligation of the Borrower to pay interest at the rate set forth in *Section 5.1(c)* during the continuance of an Event of Default, or (ii) to amend any financial covenant hereunder (or any defined term used therein) even if the effect of such amendment would be to reduce the rate of interest on any Loan or to reduce any fee payable hereunder;

(e) change *Section 5.4* or *Section 12.4* in a manner that would alter the *pro rata* sharing of payments required thereby without the written consent of each Lender directly affected thereby;

(f) change *Section 4.4(b)(v)* in a manner that would alter the order of application of amounts prepaid pursuant thereto without the written consent of each Lender directly affected thereby;

(g) change any provision of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to amend, waive or otherwise modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender directly affected thereby;

(h) release all of the Guarantors or release Guarantors comprising substantially all of the credit support for the Obligations, in either case, from the Guaranty Agreement (other than as authorized in *Section 13.9*), without the written consent of each Lender;

(i) release all or a material portion of the Collateral or release any Security Document (other than as authorized in *Section 13.9* or as otherwise specifically permitted or contemplated in this Agreement or the applicable Security Document) without the written consent of each Lender;

(j) waive any of the conditions, or waive any Default or Event of Default, for purposes of waiving, or having the effect of waiving, any of the conditions set forth in *Section 6.4* that are conditions to funding Revolving Credit Loans without the prior written consent of any combination of Revolving Credit Lenders having more than fifty percent (50%) of the aggregate amount of the Revolving Credit Commitment;

(k) release from the Guaranty Agreement any of the License Subsidiaries that are Subsidiary Guarantors (other than as authorized in *Section 13.9*), without the written consent of each Lender;

(l) release any Lien on the Capital Stock of any License Subsidiary without the written consent of each Lender;

(m) sell, transfer or otherwise dispose of any Material Communications License without the written consent of each Lender; or

(n) amend, waive or otherwise modify *Section 10.3* without the written consent of the Super Majority Lenders.

*provided further*, that no amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent in addition to the Lenders required above, affect the rights or duties of the Administrative Agent under this Agreement or any other Loan Document.

Notwithstanding anything to the contrary herein, (i) each Lender hereby irrevocably authorizes the Administrative Agent on its behalf, and without further consent, to enter into amendments or modifications to this Agreement (including, without limitation, amendments to this Section) or any of the other Loan Documents or to enter into additional Loan Documents as the Administrative Agent

reasonably deems appropriate in order to effectuate the terms of *Section 4.5* (including, without limitation, as applicable, (1) to permit the Additional Term Loans to share ratably in the benefits of this Agreement and the other Loan Documents, and (2) to include the Increasing Term Lender's Commitments or outstanding Additional Term Loans in any determination of Required Lenders) and (ii) no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder, except that the Revolving Credit Commitment of such Lender may not be increased or extended without the consent of such Lender.

### SECTION 14.3 *Expenses; Indemnity.*

(a) *Costs and Expenses.* The Borrower and any other Credit Party, jointly and severally, shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates (including the reasonable fees, charges and disbursements of counsel for the Administrative Agent), and shall pay all fees and time charges and disbursements for attorneys who may be employees of the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated) and (ii) all out-of-pocket expenses incurred by the Administrative Agent or any Lender (including the fees, charges and disbursements of any counsel for the Administrative Agent or any Lender), and shall pay all fees and time charges for attorneys who may be employees of the Administrative Agent or any Lender, in connection with the enforcement or protection of its rights (A) in connection with this Agreement and the other Loan Documents, including its rights under this Section, or (B) in connection with the Loans made hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans.

(b) *Indemnification by the Borrower.* The Borrower shall indemnify the Administrative Agent (and any sub-agent thereof), each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "*Indemnitee*") against, and hold each Indemnitee harmless from, any and all losses, claims (including, without limitation, any Environmental Claims or civil penalties or fines assessed by OFAC), damages, liabilities and related expenses (including the fees, charges and disbursements of any counsel for any Indemnitee), and shall indemnify and hold harmless each Indemnitee from all fees and time charges and disbursements for attorneys who may be employees of any Indemnitee, incurred by any Indemnitee or asserted against any Indemnitee by any third party or by the Borrower or any other Credit Party arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement, any other Loan Document or any agreement or instrument contemplated hereby or thereby, the performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation of the transactions contemplated hereby or thereby, (ii) any Loan or the use or proposed use of the proceeds therefrom, (iii) any actual or alleged presence or Release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Claim related in any way to the Borrower or any of its Subsidiaries, (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory, whether brought by a third party or by the Borrower or any other Credit Party, and regardless of whether any Indemnitee is a party thereto, or (v) any claim (including, without limitation, any Environmental Claims or civil penalties or fines assessed by the U.S. Department of the Treasury's Office of Foreign Assets Control), investigation, litigation or other proceeding (whether or not the Administrative Agent or any Lender is a party thereto) and the prosecution and defense thereof, arising out of or in any way connected with the Loans, this Agreement, any other Loan Document, or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby, including without limitation, reasonable attorneys and consultant's fees, *provided* that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are

determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) *Reimbursement by Lenders.* To the extent that the Borrower for any reason fails to indefeasibly pay any amount required under clause (a) or (b) of this Section to be paid by it to the Administrative Agent (or any sub-agent thereof), or any Related Party of any of the foregoing, each Lender severally agrees to pay to the Administrative Agent (or any such sub-agent), or such Related Party, as the case may be, such Lender's ratable portion of the aggregate amount of Commitment Percentages (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount, *provided* that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent (or any such sub-agent) in its capacity as such, or against any Related Party of any of the foregoing acting for the Administrative Agent (or any such sub-agent) in connection with such capacity. The obligations of the Lenders under this clause (c) are several, not joint nor joint and several.

(d) *Waiver of Consequential Damages, Etc.* To the fullest extent permitted by Applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. No Indemnitee referred to in clause (b) above shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

(e) *Payments.* All amounts due under this Section shall be payable promptly after demand therefor.

SECTION 14.4 *Right of Set-off.* If an Event of Default shall have occurred and be continuing, each Lender and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by Applicable Law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by such Lender or any such Affiliate to or for the credit or the account of the Borrower or any other Credit Party against any and all of the obligations of the Borrower or such Credit Party now or hereafter existing under this Agreement or any other Loan Document to such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement or any other Loan Document and although such obligations of the Borrower or such Credit Party may be contingent or unmaturing or are owed to a branch or office of such Lender different from the branch or office holding such deposit or obligated on such indebtedness. The rights of each Lender and their respective Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that such Lender or their respective Affiliates may have. Each Lender agrees to notify the Borrower and the Administrative Agent promptly after any such setoff and application; *provided* that the failure to give such notice shall not affect the validity of such setoff and application.

SECTION 14.5 *Governing Law.*

(a) *Governing Law.* This Agreement and the other Loan Documents, unless expressly set forth therein, shall be governed by, and construed in accordance with, the law of the State of New York (including Section 5-1401 and Section 5-1402 of the General Obligations Law of the State of New York).

(b) *Submission to Jurisdiction.* The Borrower and each other Credit Party irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the courts of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any other Loan Document, or for recognition or enforcement of any judgment, and each of the parties hereto irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the fullest extent permitted by Applicable Law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement or in any other Loan Document shall affect any right that the Administrative Agent or any Lender may otherwise have to bring any action or proceeding relating to this Agreement or any other Loan Document against the Borrower or any other Credit Party or its properties in the courts of any jurisdiction.

(c) *Waiver of Venue.* The Borrower and each other Credit Party irrevocably and unconditionally waives, to the fullest extent permitted by Applicable Law, any objection that it may now or hereafter have to the laying of venue of any action or proceeding arising out of or relating to this Agreement or any other Loan Document in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by Applicable Law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) *Service of Process.* Each party hereto irrevocably consents to service of process in the manner provided for notices in *Section 14.1*. Nothing in this Agreement will affect the right of any party hereto to serve process in any other manner permitted by Applicable Law.

**SECTION 14.6 *Waiver of Jury Trial*** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

**SECTION 14.7 *Reversal of Payments.*** To the extent the Borrower makes a payment or payments to the Administrative Agent for the ratable benefit of the Lenders or the Administrative Agent receives any payment or proceeds of the collateral which payments or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or proceeds repaid, the Obligations or part thereof intended to be satisfied shall be revived and continued in full force and effect as if such payment or proceeds had not been received by the Administrative Agent.

**SECTION 14.8 *Injunctive Relief; Punitive Damages.***

(a) The Borrower recognizes that, in the event the Borrower fails to perform, observe or discharge any of its obligations or liabilities under this Agreement, any remedy of law may prove to be inadequate relief to the Lenders. Therefore, the Borrower agrees that the Lenders, at the Lenders'

option, shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

(b) The Administrative Agent, the Lenders and the Borrower (on behalf of itself and the Credit Parties) hereby agree that no such Person shall have a remedy of punitive or exemplary damages against any other party to a Loan Document and each such Person hereby waives any right or claim to punitive or exemplary damages that they may now have or may arise in the future in connection with any Dispute, whether such Dispute is resolved through arbitration or judicially.

SECTION 14.9 *Accounting Matters.* If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Required Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Required Lenders); *provided that*, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

SECTION 14.10 *Successors and Assigns; Participations.*

(a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor any other Credit Party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of paragraph (b) of this Section, (ii) by way of participation in accordance with the provisions of paragraph (d) of this Section or (iii) by way of pledge or assignment of a security interest subject to the restrictions of paragraph (f) of this Section (and any other attempted assignment or transfer by any party hereto shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in paragraph (d) of this Section and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Assignments by Lenders.* Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and the Loans at the time owing to it); *provided that*

(i) except in the case of an assignment of the entire remaining amount of the assigning Lender's Revolving Credit Commitment and the Loans at the time owing to it or in the case of an assignment to a Lender or an Affiliate of a Lender or an Approved Fund with respect to a Lender, the aggregate amount of the Revolving Credit Commitment (which for this purpose includes Loans outstanding thereunder) or, if the applicable Revolving Credit Commitment is not then in effect, the principal outstanding balance of the Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000, in the case of any assignment in respect of the Revolving Credit Facility, or \$1,000,000, in the case of any assignment in respect of the Term Loan Facility, unless (A) such assignment is made to an existing Lender, to an Affiliate thereof, or (with respect to any Term Loan) to an Approved Fund, in which case no minimum amount shall apply, or (B) each of the Administrative Agent and, so long as no

Default or Event of Default has occurred and is continuing, the Borrower otherwise consent (each such consent not to be unreasonably withheld or delayed);

(ii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Revolving Credit Commitment assigned;

(iii) any assignment of a Revolving Credit Commitment must be approved by the Administrative Agent unless the Person that is the proposed assignee is itself a Lender with a Revolving Credit Commitment (whether or not the proposed assignee would otherwise qualify as an Eligible Assignee); and

(iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 for each assignment, and the Eligible Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to paragraph (c) of this Section, from and after the effective date specified in each Assignment and Assumption, the Eligible Assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 5.8, 5.9, 5.10, 5.11 and 14.3 with respect to facts and circumstances occurring prior to the effective date of such assignment. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (d) of this Section.

(c) *Register.* The Administrative Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices in Denver, Colorado, a copy of each Assignment and Assumption, each Revolving Lender Addition and Acknowledgement Agreement and each Term Loan Lender Addition and Acknowledgement Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Revolving Credit Commitment of, and principal amounts of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "*Register*"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) *Participations.* Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "*Participant*") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Revolving Credit Commitment and/or the Loans owing to it); *provided* that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement.

Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided* that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver or modification described in *Section 14.2* that directly affects such Participant. Subject to paragraph (e) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of *Sections 5.8, 5.9, 5.10 and 5.11* to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of *Section 14.4* as though it were a Lender, provided such Participant agrees to be subject to *Section 5.6* as though it were a Lender.

(e) *Limitations upon Participant Rights.* A Participant shall not be entitled to receive any greater payment under *Sections 5.10 and 5.11* than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of *Section 5.11* unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with *Section 5.11(e)* as though it were a Lender.

(f) *Certain Pledges.* Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

**SECTION 14.11 Confidentiality.** Each of the Administrative Agent and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by, or required to be disclosed to, any rating agency, or regulatory or similar authority (including any self-regulatory authority, such as the National Association of Insurance Commissioners), (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party hereto, (e) in connection with the exercise of any remedies under this Agreement or under any other Loan Document or the enforcement of rights hereunder or thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any purchasing Lender, proposed purchasing Lender, Participant or proposed Participant, (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations, (iii) to an investor or prospective investor in an Approved Fund that also agrees that Information shall be used solely for the purpose of evaluating an investment in such Approved Fund, (iv) to a trustee, collateral manager, servicer, backup servicer, noteholder or secured party in an Approved Fund in connection with the administration, servicing and reporting on the assets serving as collateral for an Approved Fund, or (v) to a nationally recognized rating agency that requires access to information regarding the Borrower and its Subsidiaries, the Loans and Loan Documents in connection with ratings issued with respect to an Approved Fund, (g) with the consent of the Borrower, (h) to *Gold Sheets* and other similar bank trade publications, such information to consist of deal terms and other information customarily found in such publications, or (i) to the extent such Information (x) becomes publicly available other than as a result of a breach of this Section or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Borrower or (j) to governmental regulatory authorities in connection with any regulatory examination of the Administrative Agent or any Lender or in accordance with the Administrative Agent's or any Lender's regulatory compliance policy if the

Administrative Agent or such Lender deems necessary for the mitigation of claims by those authorities against the Administrative Agent or such Lender or any of its subsidiaries or affiliates. For purposes of this Section, "*Information*" means all information received from the Borrower or any of its Subsidiaries relating to any Credit Party or any of their respective businesses, other than any such information that is available to the Administrative Agent or any Lender on a nonconfidential basis prior to disclosure by any Credit Party; *provided* that, in the case of information received from a Credit Party after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 14.12 *Performance of Duties.* Each of the Credit Party's obligations under this Agreement and each of the other Loan Documents shall be performed by such Credit Party at its sole cost and expense.

SECTION 14.13 *All Powers Coupled with Interest.* All powers of attorney and other authorizations granted to the Lenders, the Administrative Agent and any Persons designated by the Administrative Agent or any Lender pursuant to any provisions of this Agreement or any of the other Loan Documents shall be deemed coupled with an interest and shall be irrevocable so long as any of the Obligations remain unpaid or unsatisfied, any of the Revolving Credit Commitment remains in effect or the Credit Facility has not been terminated.

SECTION 14.14 *Survival of Indemnities.* Notwithstanding any termination of this Agreement, the indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of this *Article XIV* and any other provision of this Agreement and the other Loan Documents shall continue in full force and effect and shall protect the Administrative Agent and the Lenders against events arising after such termination as well as before.

SECTION 14.15 *Titles and Captions.* Titles and captions of Articles, Sections and subsections in, and the table of contents of, this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement.

SECTION 14.16 *Severability of Provisions.* Any provision of this Agreement or any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 14.17 *Counterparts.* This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and shall be binding upon all parties, their successors and assigns, and all of which taken together shall constitute one and the same agreement.

SECTION 14.18 *Integration.* This Agreement, together with the other Loan Documents, comprises the complete and integrated agreement of the parties on the subject matter hereof and thereof and supersedes all prior agreements, written or oral, on such subject matter. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control; *provided* that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

SECTION 14.19 *Term of Agreement.* This Agreement shall remain in effect from the Closing Date through and including the date upon which all Obligations arising hereunder or under any other Loan Document shall have been indefeasibly and irrevocably paid and satisfied in full and the Revolving Credit Commitment has been terminated. No termination of this Agreement shall affect the rights and obligations of the parties hereto arising prior to such termination or in respect of any provision of this Agreement which survives such termination.

SECTION 14.20 *Advice of Counsel, No Strict Construction.* Each of the parties represents to each other party hereto that it has discussed this Agreement with its counsel. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

SECTION 14.21 *USA Patriot Act.* The Administrative Agent and each Lender hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act"), it may be required to obtain, verify and record information that identifies the Borrower and Guarantors, which information includes the name and address of each Borrower and Guarantor and other information that will allow such Lender to identify such Borrower or Guarantor in accordance with the Act.

SECTION 14.22 *Inconsistencies with Other Documents; Independent Effect of Covenants.*

(a) In the event there is a conflict or inconsistency between this Agreement and any other Loan Document, the terms of this Agreement shall control; *provided* that any provision of the Security Documents which imposes additional burdens on the Borrower or its Subsidiaries or further restricts the rights of the Borrower or its Subsidiaries or gives the Administrative Agent or Lenders additional rights shall not be deemed to be in conflict or inconsistent with this Agreement and shall be given full force and effect.

(b) This Agreement constitutes an amendment and restatement of the Existing Facility effective from and after the Closing Date. The execution and delivery of this Agreement shall not constitute a novation of any Debt or other obligations owing to the Lenders or the Administrative Agent under the Existing Facility based on facts or events occurring or existing prior to the execution and delivery of this Agreement. On the Closing Date, the credit facilities described in the Existing Facility shall be amended, supplemented, modified and restated in their entirety by the facilities described herein, and all loans and other obligations of the Borrower outstanding as of such date under the Existing Facility shall be deemed to be loans and obligations outstanding under the corresponding facilities described herein, without any further action by any Person, except that the Administrative Agent shall make such transfers of funds as are necessary in order that the outstanding balance of such Loans, together with any Loans funded on the Closing Date, reflect the commitments of the Lenders hereunder.

(c) The Borrower expressly acknowledges and agrees that each covenant contained in *Articles IX, X, or XI* hereof shall be given independent effect. Accordingly, the Borrower shall not engage in any transaction or other act otherwise permitted under any covenant contained in *Articles IX, X, or XI* if, before or after giving effect to such transaction or act, the Borrower shall or would be in breach of any other covenant contained in *Articles IX, X, or XI*.

[Signature pages to follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized officers, all as of the day and year first written above.

**GLOBALSTAR, INC.**, as Borrower

By: /s/ FUAD AHMAD

Name: Fuad Ahmad

Title: VP and CFO

**AGENT AND LENDERS:**

**THERMO FUNDING COMPANY LLC**, as Administrative Agent and Lender

By: /s/ JAMES MONROE III

\_\_\_\_\_  
Name: James Monroe III

\_\_\_\_\_  
Title: Manager

[ADDITIONAL LENDERS], as Lender

By:

\_\_\_\_\_

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

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[Exhibit 10.23](#)

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**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.

**Amendment N<sup>o</sup> 3  
TO  
CONTRACT N<sup>o</sup> GINC-C-06-0300**

By and Between

**GLOBALSTAR, INC.**

and

**THALES ALENIA SPACE FRANCE**

---

This Amendment N°3 to the Contract signed on 30 November 2006 referenced GINC-C-06-0300 is made between **Thales Alenia Space France**, a Company organised and existing under the laws of France, having its registered office at 26 avenue Jean Francois Champollion 31100 Toulouse—FRANCE ("Contractor") and **Globalstar, Inc.**, a Delaware corporation with offices at 461 South Milpitas Blvd., Milpitas, California 95035, U.S.A. ("**Purchaser**").

The Purchaser and the Contractor being hereinafter individually referred to as a "Party" or collectively as the "Parties".

**Recitals**

Whereas, the Parties have agreed certain changes to the Contract which have been introduced up to and including the implementation of the activities for "Power Increase" in the frame of the ATP REF PJR0407-003 signed on 13th April 2007 and the implementation of the activities linked to "Early Delivery SC1+ 1Bis (CM early delivery and on-board software)" as described in the ATP Ref PJR0907-001 signed on 1st October, 2007 between the Parties; and

Whereas, the Parties have agreed upon:

- a reduction for a fixed amount of [\*] in application of the Special Conditions of the Services Agreement for Phase A Study signed by the Parties, and
- a reduction for a fixed amount of 500,000.00€ "Delta MOSS" in application of the provisions of Article 4 "Total Price" of the Contract as a result of award of the Ground Control Network Contract to Contractor no later than six (6) months after PDR.

Whereas, the Parties hereby agree to modify certain provisions of the Contract and its Exhibits and Appendixes as a result of such changes.

**THEREFORE, THE PARTIES AGREE TO THE FOLLOWING:**

1. The following provisions of the Contract are replaced as follows:

1.1 In the Contract, all reference to "Alcatel Alenia Space France" shall be replaced by "Thales Alenia Space France".

1.2 Paragraphs A and B of Article 2. Scope and Exhibits are replaced by the following:

- (A) Contractor shall provide the necessary personnel, material, services and facilities to perform the Work in accordance with the provisions of this Contract, including the Exhibits and Appendixes listed below, which are attached hereto or incorporated by reference and made a part hereof, and to make delivery to Purchaser in accordance with the Delivery Schedule as provided in Article 6.

Exhibit A	GBS2 Space Segment Globalstar Statement of Work Ref GS-06-1130 dated October 1, 2006—Issue 01 amended by GBS2 Early delivery Scenario 1 + 1Bis Scope of Work Ref 2003 318 62W
Exhibit B	Globalstar II LEO Satellite Performance Specification Ref 200221417A Issue 5
Exhibit C	Satellite Program Test Plan Ref 200221933 issue 3
Exhibit D	Globalstar 2 Product Assurance Plan Ref 200217065S, Version 03 dated November 24, 2006
Exhibit E	Globalstar Dynamic Satellite Simulator Requirements Specification Ref 3474-05-0023 Rev 1_V2 dated November 20, 2006
Exhibit F	Payment Plans
Exhibit G	Form of Escrow Agreement
Exhibit H	Bonus Payments Criteria (EBITDA and satisfactory operation)
Exhibit I	Globalstar Patent Portfolio

Appendix 1	Mutual Nondisclosure Agreement between Globalstar, Inc and Alcatel Alenia Space France, dated November 2 <sup>nd</sup> 2006
Appendix 2	Technical Assistance Agreement (DTC Case TA 3474-05) and subsequent amendments.
Appendix 3	Technical Assistance Agreements for Launch Services (DTC Case TA 0645-07 and subsequent amendments.

(B) In case of any inconsistencies among the articles of this Contract and any of the Exhibits, the following order of precedence shall apply:

Appendix 2  
Terms and Conditions of Contract  
All other Appendices

Exhibit F	Payment Plans
Exhibit A	GBS2 Space Segment Globalstar Statement of Work Ref GS-06-1130 dated October 1, 2006—Issue 01 amended by GBS2 Early delivery Scenario 1 + 1Bis Scope of Work Ref 2003 318 62 W
Exhibit B	Globalstar II LEO Satellite Performance Specification Ref 200221417A issue 5
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Exhibit H	Bonus Payments Criteria (EBITDA and satisfactory operation)
Exhibit I	Globalstar Patent Portfolio

**1.3 Paragraph C, item iv) of Article 2 Scope and Exhibits is replaced by the following:**

(iv) Mission Operations Support Services (including training of Purchaser's personnel and in-orbit testing of the Spacecraft), as described in section 3.5 of Exhibit A. As the Contractor has been awarded a contract for delivery of the Satellite Control Network (Ref GINC-C-07-0320), and according to Article 3.5 of Exhibit A, Contractor shall not perform the additional work as set forth in Annex D of Exhibit A.

**1.4 Table in Paragraph A of Article 4. Total Price is replaced by the following:**

Item	Description	Price in Euro for Regular Delivery	Price in Euro for Accelerated Scenario
1	Spacecraft for Phase 1 and Phase 2 (including Power Increase and early delivery SC 1 + 1BIS)	355,924,591	355,924,591
2	Spacecraft for Phase 3	268,046,761*	240,141,045
3	Launch Support Services and MOSS	40,185,471	40,185,471
4	OBPE Software Access	350,000	350,000
Total Price		664,506,823	636,601,107

\* the price for each Spacecraft in Phase 3 for Regular Delivery shall be the price for a Spacecraft in Phase 2 (total for all Spacecraft in Phase 3 equals 240,141,045 Euro) increased by the lesser of 10% of the price per Spacecraft or the actual expenses incurred by Contractor resulting from the hiatus between Phase 2 and Phase 3 production and the extension of the duration of the program. The maximum price for Item 2, Regular Delivery would be 268,046,761 Euros.

**1.5 Paragraphs A and B of Article 25. Communication and Authority are replaced by the following:**

(A) [\*] is assigned as Purchaser's Program Manager with authority to issue technical direction within the scope of this Contract. [\*] is assigned as Contractor's Program Manager with authority to accept such direction. Notwithstanding Article 25(A), the foregoing Program Managers are authorized (i) to initial the Exhibits and any modifications thereto (except

Exhibit F), and (ii) to execute the waivers of technical compliance with the specifications in the Exhibits.

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

[\*]  
Globalstar, Inc.  
461 South Milpitas Blvd.  
Milpitas, California 95035, U.S.A.  
Tel: +[\*]  
Email: [\*]

All technical correspondence to Purchaser will be addressed to:

[\*]  
Globalstar, Inc.  
461 South Milpitas Blvd.  
Milpitas, California 95035, U.S.A.  
Tel: +[\*]  
Email: [\*]

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

[\*]  
Thales Alenia Space France  
100, Boulevard du midi—B.P.99  
06156 Cannes la Bocca Cedex—France  
Email: [\*]

All technical correspondence to Contractor will be addressed to:

[\*]  
Thales Alenia Space France  
100 Boulevard du midi—B.P. 99  
06156 Cannes la Bocca Cedex—France  
Email: [\*]

**1.6 Exhibit F is replaced by the new Exhibit F as attached to this Amendment n° 3.**

2 All of the terms, covenants and conditions of the Contract as may already have been amended shall remain in full force and effect except to the extent the same have been expressly amended or modified by the terms of this Amendment.

3 All capitalized terms not otherwise defined in this Amendment shall have the meanings for such terms as set forth in the Contract.

**Execution**

*In witness whereof, the Parties have duly executed this Contract.*

**Globalstar, Inc.**

**Thales Alenia Space France,**

P/O OLIVIER BADARD

By: /s/ JAMES MONROE III

By: /s/ PASCALE SOURISSE

**Name: James Monroe III**

**Name: Pascale Sourisse**

Title: Chairman and  
Chief Executive Officer

Title: President and  
Chief Executive Officer

Date: 12/19/07

Date:

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[Exhibit 10.24](#)

[CONFIDENTIAL TREATMENT](#)

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.



GLOBALSTAR, INC.  
461 SO., MILPITAS BLVD,  
MILPITAS, CA 95035

Tel: (408) 933-4000  
Fax: (408) 933-4100  
www.globalstar.com

21 December 2007  
PJR1207-001

Thales Alenia Space France  
100, Boulevard du midi—B.P. 99  
06156 Cannes la Bocca Cedex  
France

Attention: [\*]  
Contract Manager

Subject: Authorization To Proceed  
GLOBALSTAR-2 Early Delivery  
("Scenario 2 + 2bis")

Reference: Thales Alenia Space Presentation entitled "Globalstar 2 Early Delivery" dated 5 September 2007,  
Reference 100208134J

Dear [\*],

This Authorization To Proceed is issued pursuant to the Reference Presentation (the "*Proposal*") from Thales Alenia Space France ("*Contractor*") involving early delivery of the Globalstar Second Generation Satellites that are being manufactured by Contractor under the Contract No. GINC-C-06-0300 (the "*Contract*") for the construction of the Globalstar Second Generation Satellite Constellation ("GLOBALSTAR-2").

Globalstar, Inc. ("*Globalstar*") is interested in and wishes to proceed at this time with Scenario 2 + 2bis (on-board software) for a total agreed price of EUR 2,230,000. In the interest of schedule pending formalization into a Contract Amendment, Globalstar hereby issues to Contractor this Authorization to Proceed ("*ATP*") to commence a portion of the work consistent with the detail and understandings as set forth herein.

Upon written acceptance of this ATP, Contractor is authorized to proceed as follows:

1) *Scope of Work*

Contractor shall proceed, during the effective period of this ATP, to:

- (a) start and implement all activities necessary to support the implementation of Scenario 2 + 2bis (on-board software) in the Proposal; and
- (b) prepare and submit a written Scope of Work to Globalstar for Scenario 2 + 2bis (on-board software) to be incorporated into the formal Contract Amendment.

2) *Amendment 4 to the Contract*

The parties agree that this ATP is limited to the scope of work set forth in *Section 1* and payments set forth in *Section 5*.

It is envisioned that the parties will execute a Contract Amendment within sixty (60) days of this ATP. Such Contract Amendment is planned to be Amendment 4 to the Contract.

3) *Globalstar's Maximum Liability*

Globalstar's maximum liability under this ATP is EUR 2,230,000 (the agreed to price for the activities defined in *Section 1*), unless such amount is increased in a writing signed by Globalstar and Contractor.

4) *Effectiveness*

This ATP will become effective on the date that Contractor signs below ("EDC"). This ATP shall remain in effect until signature by the parties of Amendment 4 to the Contract.

5) *Payments*

Globalstar shall make Payment to Contractor under this ATP in accordance with the following Payment Plan. Contractor shall use the Payment to perform the work in accordance with the Scope of Work set forth in *Section 1*.

<u>Invoice Dates</u>	<u>Payment Due Dates</u>	<u>Payment Milestones</u>	<u>Payment Amount (Euros)</u>
EDC	11 January 2008	Down Payment	[*]
1 January 2008	1 February 2008	Calendar 1	[*]
1 April 2008	1 May 2008	Calendar 2	[*]
1 July 2008	1 August 2008	Calendar 3	[*]
1 October 2008	1 November 2008	Calendar 4	[*]
1 January 2009	1 February 2009	Calendar 5	[*]

In the event Globalstar fails to pay any Payment Milestone hereunder upon the Payment Due Date referred to in Article 5 of this ATP, Contractor shall have the right to immediately stop the Work under this ATP, without notice to Globalstar, notwithstanding any inconsistent provisions in Article 22 of the Contract. If Globalstar fails to pay any unpaid amount within thirty (30) Days from the date Contractor has stopped the Work, Contractor shall be entitled, without notice to Globalstar, immediately to terminate this ATP.

6) *Terms and Conditions*

This ATP shall be interpreted, construed and governed, in all respects, according to the Contract.

7) *Entire Agreement and Amendment*

This ATP constitutes the entire understanding and agreement between the parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous negotiations, understandings and agreements with respect to the subject matter hereof, except for the MNDA. The terms of this ATP may be modified only by an agreement in writing signed by the parties.

Please acknowledge your receipt and acceptance of this ATP by signing this letter and returning it to Globalstar. Globalstar appreciates your continued support of our requirements.

Sincerely,

GLOBALSTAR, INC.

/s/ ANTHONY J. NAVARRA

By: Anthony J. Navarra

Title: President

Date: 21 December 2007

THALES ALENIA SPACE FRANCE

/s/ OLIVIER BADARD

By: OLIVIER BADARD

Title: SVP Sales and Marketing

Date: 8 January 2008

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[Exhibit 10.25](#)

[CONFIDENTIAL TREATMENT](#)

**GLOBALSTAR, INC.**  
**RESTRICTED STOCK AGREEMENT**

Globalstar, Inc. has granted to the Participant named in the *Notice of Grant of Restricted Stock* (the "**Grant Notice**") to which this Restricted Stock Agreement (the "**Agreement**") is attached an Award consisting of Shares subject to the terms and conditions set forth in the Grant Notice and this Agreement. The Award has been granted pursuant to the Globalstar, Inc. 2006 Equity Incentive Plan (the "**Plan**"), as amended to the Date of Grant, the provisions of which are incorporated herein by reference. By signing the Grant Notice, the Participant: (a) acknowledges receipt of and represents that the Participant has read and is familiar with the Grant Notice, this Agreement, the Plan and a prospectus for the Plan in the form most recently registered with the Securities and Exchange Commission (the "**Plan Prospectus**"), (b) accepts the Award subject to all of the terms and conditions of the Grant Notice, this Agreement and the Plan and (c) agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Grant Notice, this Agreement or the Plan.

**1. DEFINITIONS AND CONSTRUCTION.**

1.1 **Definitions.** Unless otherwise defined herein, capitalized terms shall have the meanings assigned to such terms in the Grant Notice or the Plan.

1.2 **Construction.** Captions and titles contained herein are for convenience only and shall not affect the meaning or interpretation of any provision of this Agreement. Except when otherwise indicated by the context, the singular shall include the plural and the plural shall include the singular. Use of the term "or" is not intended to be exclusive, unless the context clearly requires otherwise.

**2. ADMINISTRATION.**

All questions of interpretation concerning the Grant Notice and this Agreement shall be determined by the Committee. All determinations by the Committee shall be final and binding upon all persons having an interest in the Award. Any Officer of a Participating Company shall have the authority to act on behalf of the Company with respect to any matter, right, obligation, or election which is the responsibility of or which is allocated to the Company herein, provided the Officer has apparent authority with respect to such matter, right, obligation, or election.

**3. THE AWARD.**

3.1 **Grant and Issuance of Shares.** On the Date of Grant, the Participant shall acquire and the Company shall issue, subject to the provisions of this Agreement, a number of Shares equal to the Total Number of Shares set forth in the Grant Notice. As a condition to the issuance of the Shares, the Participant shall execute and deliver to the Company along with the Grant Notice the Assignment Separate from Certificate duly endorsed (with date and number of shares blank) in the form attached to the Grant Notice.

3.2 **No Monetary Payment Required.** The Participant is not required to make any monetary payment (other than applicable tax withholding, if any) as a condition to receiving the Shares, the consideration for which shall be past services actually rendered and/or future services to be rendered to a Participating Company or for its benefit. Notwithstanding the foregoing, if required by applicable state corporate law, the Participant shall furnish consideration in the form of cash or past services rendered to a Participating Company or for its benefit having a value not less than the par value of the shares of Stock issued upon settlement of the Award.

3.3 **Beneficial Ownership of Shares; Certificate Registration.** The Participant hereby authorizes the Company, in its sole discretion, to deposit the Shares with the Company's transfer agent, including any successor transfer agent, to be held in book entry form during the term of the Escrow pursuant to Section 6. Furthermore, the Participant hereby authorizes the Company, in its sole discretion, to

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deposit, following the term of such Escrow, for the benefit of the Participant with any broker with which the Participant has an account relationship of which the Company has notice any or all Shares which are no longer subject to such Escrow. Except as provided by the foregoing, a certificate for the Shares shall be registered in the name of the Participant, or, if applicable, in the names of the heirs of the Participant.

**3.4 Issuance of Shares in Compliance with Law.** The issuance of the Shares shall be subject to compliance with all applicable requirements of federal, state or foreign law with respect to such securities. No Shares shall be issued hereunder if their issuance would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Stock may then be listed. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance of any Shares shall relieve the Company of any liability in respect of the failure to issue such Shares as to which such requisite authority shall not have been obtained. As a condition to the issuance of the Shares, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect thereto as may be requested by the Company.

#### **4. VESTING OF SHARES.**

**4.1 Normal Vesting.** Except as provided in Section 4.2, the Shares shall vest and become Vested Shares as provided in the Grant Notice; provided however, that Shares that would otherwise become Vested Shares on a date on which a sale of such Shares by the Participant would violate the Insider Trading Policy of the Company shall, notwithstanding the vesting schedule set forth in the Grant Notice, become Vested Shares on the next day on which such sale would not violate the Insider Trading Policy. For purposes of this Section, "**Insider Trading Policy**" means the written policy of the Company pertaining to the sale, transfer or other disposition of the Company's equity securities by members of the Board, Officers or other employees who may possess material, non-public information regarding the Company, as in effect at the time of a disposition of any Shares. No additional Shares will become Vested Shares following the Participant's termination of Service for any reason.

**4.2 Acceleration of Vesting Upon a Change in Control.** In the event of a Change in Control, the vesting of the Shares shall be accelerated in full and the Total Number of Shares shall be deemed Vested Shares effective as of the date of the Change in Control, provided that the Participant's Service has not terminated prior to such date.

#### **4.3 Federal Excise Tax Under Section 4999 of the Code.**

(a) **Excess Parachute Payment.** In the event that any acceleration of vesting pursuant to this Agreement and any other payment or benefit received or to be received by the Participant would subject the Participant to any excise tax pursuant to Section 4999 of the Code due to the characterization of such acceleration of vesting, payment or benefit as an excess parachute payment under Section 280G of the Code, the Participant may elect, in his or her sole discretion, to reduce the amount of any acceleration of vesting called for under this Agreement in order to avoid such characterization.

(b) **Determination by Independent Accountants.** To aid the Participant in making any election called for under Section 4.3(a), upon the occurrence of any event that might reasonably be anticipated to give rise to the acceleration of vesting under Section 4.2 (an "**Event**"), the Company shall promptly request a determination in writing by independent public accountants selected by the Company (the "**Accountants**"). Unless the Company and the Participant otherwise agree in writing, the Accountants shall determine and report to the Company and the Participant within twenty (20) days of the date of the Event the amount of such acceleration of vesting, payments

and benefits which would produce the greatest after-tax benefit to the Participant. For the purposes of such determination, the Accountants may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Participant shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make their required determination. The Company shall bear all fees and expenses the Accountants may reasonably charge in connection with their services contemplated by this Section.

## **5. COMPANY REACQUISITION RIGHT.**

**5.1 Grant of Company Reacquisition Right.** Except to the extent otherwise provided in an employment agreement between a Participating Company and the Participant, in the event that (a) the Participant's Service terminates for any reason or no reason, with or without Cause, or (b) the Participant, the Participant's legal representative, or other holder of the Shares, attempts to sell, exchange, transfer, pledge, or otherwise dispose of (other than pursuant to an Ownership Change Event), including, without limitation, any transfer to a nominee or agent of the Participant, any Shares which are not Vested Shares ("**Unvested Shares**"), the Company shall automatically reacquire the Unvested Shares, and the Participant shall not be entitled to any payment therefor (the "**Company Reacquisition Right**").

**5.2 Ownership Change Event.** Upon the occurrence of an Ownership Change Event, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of the Participant's ownership of Unvested Shares shall be immediately subject to the Company Reacquisition Right and included in the terms "Shares," "Stock" and "Unvested Shares" for all purposes of the Company Reacquisition Right with the same force and effect as the Unvested Shares immediately prior to the Ownership Change Event. For purposes of determining the number of Vested Shares following an Ownership Change Event, credited Service shall include all Service with any corporation which is a Participating Company at the time the Service is rendered, whether or not such corporation is a Participating Company both before and after the Ownership Change Event.

## **6. ESCROW.**

**6.1 Appointment of Agent.** To ensure that Shares subject to the Company Reacquisition Right will be available for reacquisition, the Participant and the Company hereby appoint the Secretary of the Company, or any other person designated by the Company, as their agent and as attorney-in-fact for the Participant (the "**Agent**") to hold any and all Unvested Shares and to sell, assign and transfer to the Company any such Unvested Shares reacquired by the Company pursuant to the Company Reacquisition Right. The Participant understands that appointment of the Agent is a material inducement to make this Agreement and that such appointment is coupled with an interest and is irrevocable. The Agent shall not be personally liable for any act the Agent may do or omit to do hereunder as escrow agent, agent for the Company, or attorney in fact for the Participant while acting in good faith and in the exercise of the Agent's own good judgment, and any act done or omitted by the Agent pursuant to the advice of the Agent's own attorneys shall be conclusive evidence of such good faith. The Agent may rely upon any letter, notice or other document executed by any signature purporting to be genuine and may resign at any time.

**6.2 Establishment of Escrow.** The Participant authorizes the Company to deposit the Unvested Shares with the Company's transfer agent to be held in book entry form, as provided in Section 3.3, and the Participant agrees to deliver to and deposit with the Agent each certificate, if any, evidencing the Shares and an Assignment Separate from Certificate with respect to such book entry shares and each such certificate duly endorsed (with date and number of Shares blank) in the form attached to the Grant Notice, to be held by the Agent under the terms and conditions of this Section 6 (the "**Escrow**"). Upon the occurrence of an Ownership Change Event or a change, as described in Section 8, in the

character or amount of any outstanding stock of the corporation the stock of which is subject to the provisions of this Agreement, any and all new, substituted or additional securities or other property to which the Participant is entitled by reason of his or her ownership of the Shares that remain, following such Ownership Change Event or change described in Section 8, subject to the Company Reacquisition Right shall be immediately subject to the Escrow to the same extent as the Shares immediately before such event. The Company shall bear the expenses of the Escrow.

**6.3 Delivery of Shares to Participant.** Whenever the Participant or the Participant's legal representative proposes to sell, exchange, transfer, pledge or otherwise dispose of (other than pursuant to an Ownership Change Event) any shares of Stock subject to the Escrow, the Participant shall so notify the Company. As soon as practicable thereafter, the Company shall determine, in its sole discretion, whether (a) such proposed disposition would not cause the Company to automatically reacquire such Shares pursuant to the Company Reacquisition Right and (b) the Participant has made adequate provision for the tax withholding obligations, if any, pursuant to Section 7. If both conditions (a) and (b) set forth in the preceding sentence are satisfied, the Company shall, as soon as practicable, so notify the Participant and give to the Agent a written notice directing the Agent to deliver such Shares to the Participant. As soon as practicable after receipt of such notice, the Agent shall deliver to the Participant the Shares specified in such notice, and the Escrow shall terminate with respect to such Shares.

## **7. TAX MATTERS.**

### **7.1 Tax Withholding.**

(a) **In General.** At the time the Grant Notice is executed, or at any time thereafter as requested by a Participating Company, the Participant hereby authorizes withholding from payroll and any other amounts payable to the Participant, and otherwise agrees to make adequate provision for, any sums required to satisfy the federal, state, local and foreign tax withholding obligations of the Participating Company, if any, which arise in connection with the Award, including, without limitation, obligations arising upon (a) the transfer of Shares to the Participant, (b) the lapsing of any restriction with respect to any Shares, (c) the filing of an election to recognize tax liability, or (d) the transfer by the Participant of any Shares. The Company shall have no obligation to deliver the Shares or to release any Shares from the Escrow established pursuant to Section 6 until the tax withholding obligations of the Participating Company have been satisfied by the Participant.

(b) **Assignment of Sale Proceeds; Payment of Tax Withholding by Check.** Subject to compliance with applicable law and the Company's Insider Trading Policy, the Participant shall satisfy the Participating Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by the Participant to the Company or a broker approved by the Company of properly executed instructions, in a form approved by the Company, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the shares becoming Vested Shares on a Vesting Date as provided in the Grant Notice. Notwithstanding the foregoing, the Participant may elect to pay by check the amount of the Participating Company's tax withholding obligations arising on any Vesting Date by delivering written notice of such election to the Company on a form specified by the Company for this purpose at least thirty (30) days (or such other period established by the Company) prior to such Vesting Date. By making such election, the Participant agrees to deliver a check for the full amount of the required tax withholding to the applicable Participating Company on or before the third business day following the Vesting Date. If the Participant elects to pay the required tax withholding by check but fails to make such payment as required by the preceding sentence, the Company is hereby authorized at its discretion, to satisfy the tax withholding obligations through any other means authorized by this Section 7, including by effecting a sale of some or all of the

shares becoming Vested Shares on the Vesting Date, or withholding from payroll and any other amounts payable to the Participant

## 7.2 Election Under Section 83(b) of the Code.

(a) The Participant understands that Section 83 of the Code taxes as ordinary income the difference between the amount paid for the Shares, if anything, and the fair market value of the Shares as of the date on which the Shares are "substantially vested," within the meaning of Section 83. In this context, "substantially vested" means that the right of the Company to reacquire the Shares pursuant to the Company Reacquisition Right has lapsed. The Participant understands that he or she may elect to have his or her taxable income determined at the time he or she acquires the Shares rather than when and as the Company Reacquisition Right lapses by filing an election under Section 83(b) of the Code with the Internal Revenue Service no later than thirty (30) days after the date of acquisition of the Shares. The Participant understands that failure to make a timely filing under Section 83(b) will result in his or her recognition of ordinary income, as the Company Reacquisition Right lapses, on the difference between the purchase price, if anything, and the fair market value of the Shares at the time such restrictions lapse. The Participant further understands, however, that if Shares with respect to which an election under Section 83(b) has been made are forfeited to the Company pursuant to its Company Reacquisition Right, such forfeiture will be treated as a sale on which there is realized a loss equal to the excess (if any) of the amount paid (if any) by the Participant for the forfeited Shares over the amount realized (if any) upon their forfeiture. If the Participant has paid nothing for the forfeited Shares and has received no payment upon their forfeiture, the Participant understands that he or she will be unable to recognize any loss on the forfeiture of the Shares even though the Participant incurred a tax liability by making an election under Section 83(b).

(b) The Participant understands that he or she should consult with his or her tax advisor regarding the advisability of filing with the Internal Revenue Service an election under Section 83(b) of the Code, which must be filed no later than thirty (30) days after the date of the acquisition of the Shares pursuant to this Agreement. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to the Participant. The Participant acknowledges that he or she has been advised to consult with a tax advisor regarding the tax consequences to the Participant of the acquisition of Shares hereunder. ANY ELECTION UNDER SECTION 83(b) THE PARTICIPANT WISHES TO MAKE MUST BE FILED NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH THE PARTICIPANT ACQUIRES THE SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. THE PARTICIPANT ACKNOWLEDGES THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS THE PARTICIPANT'S SOLE RESPONSIBILITY, EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON HIS OR HER BEHALF.

(c) The Participant will notify the Company in writing if the Participant files an election pursuant to Section 83(b) of the Code. The Company intends, in the event it does not receive from the Participant evidence of such filing, to claim a tax deduction for any amount which would otherwise be taxable to the Participant in the absence of such an election.

## 8. ADJUSTMENTS FOR CHANGES IN CAPITAL STRUCTURE.

Subject to any required action by the stockholders of the Company, in the event of any change in the Stock effected without receipt of consideration by the Company, whether through merger, consolidation, reorganization, reincorporation, recapitalization, reclassification, stock dividend, stock split, reverse stock split, split-up, split-off, spin-off, combination of shares, exchange of shares, or similar change in the capital structure of the Company, or in the event of payment of a dividend or distribution to the stockholders of the Company in a form other than Stock (excepting normal cash

dividends) that has a material effect on the Fair Market Value of shares of Stock, appropriate adjustments shall be made in the number and kind of shares subject to the Award, in order to prevent dilution or enlargement of the Participant's rights under the Award. For purposes of the foregoing, conversion of any convertible securities of the Company shall not be treated as "effected without receipt of consideration by the Company." Any fractional share resulting from an adjustment pursuant to this Section shall be rounded down to the nearest whole number. The Committee in its sole discretion, may also make such adjustments in the terms of any Award to reflect, or related to, such changes in capital structure of the Company or distributions as it deems appropriate. Such adjustments shall be determined by the Committee, and its determination shall be final, binding and conclusive.

**9. RIGHTS AS A STOCKHOLDER, DIRECTOR, EMPLOYEE OR CONSULTANT.**

The Participant shall have no rights as a stockholder with respect to any Shares subject to the Award until the date of the issuance of a certificate for such Shares (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date such certificate is issued, except as provided in Section 8. Subject to the provisions of this Agreement, the Participant shall exercise all rights and privileges of a stockholder of the Company with respect to Shares deposited in the Escrow pursuant to Section 6. If the Participant is an Employee, the Participant understands and acknowledges that, except as otherwise provided in a separate, written employment agreement between a Participating Company and the Participant, the Participant's employment is "at will" and is for no specified term. Nothing in this Agreement shall confer upon the Participant any right to continue in the Service of a Participating Company or interfere in any way with any right of the Participating Company Group to terminate the Participant's Service at any time.

**10. LEGENDS.**

The Company may at any time place legends referencing the Company Recapitalization Right and any applicable federal, state or foreign securities law restrictions on all certificates representing the Shares. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing the Shares in the possession of the Participant in order to carry out the provisions of this Section. Unless otherwise specified by the Company, legends placed on such certificates may include, but shall not be limited to, the following:

"THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS SET FORTH IN AN AGREEMENT BETWEEN THIS CORPORATION AND THE REGISTERED HOLDER, OR HIS PREDECESSOR IN INTEREST, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THIS CORPORATION."

**11. TRANSFERS IN VIOLATION OF AGREEMENT.**

No Shares may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of, including by operation of law, in any manner which violates any of the provisions of this Agreement and, except pursuant to an Ownership Change Event, until the date on which such shares become Vested Shares, and any such attempted disposition shall be void. The Company shall not be required (a) to transfer on its books any Shares which will have been transferred in violation of any of the provisions set forth in this Agreement or (b) to treat as owner of such Shares or to accord the right to vote as such owner or to pay dividends to any transferee to whom such Shares will have been so transferred. In order to enforce its rights under this Section, the Company shall be authorized to give a stop transfer instruction with respect to the Shares to the Company's transfer agent.

## 12. MISCELLANEOUS PROVISIONS.

12.1 **Termination or Amendment.** The Committee may terminate or amend the Plan or this Agreement at any time; provided, however, that no such termination or amendment may adversely affect the Participant's rights under this Agreement without the consent of the Participant unless such termination or amendment is necessary to comply with applicable law or government regulation. No amendment or addition to this Agreement shall be effective unless in writing.

12.2 **Nontransferability of the Award.** The right to acquire Shares pursuant to the Award shall not be subject in any manner to anticipation, alienation, sale, exchange, transfer, assignment, pledge, encumbrance, or garnishment by creditors of the Participant or the Participant's beneficiary, except transfer by will or by the laws of descent and distribution. All rights with respect to the Award shall be exercisable during the Participant's lifetime only by the Participant or the Participant's guardian or legal representative.

12.3 **Further Instruments.** The parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement.

12.4 **Binding Effect.** This Agreement shall inure to the benefit of the successors and assigns of the Company and, subject to the restrictions on transfer set forth herein, be binding upon the Participant and the Participant's heirs, executors, administrators, successors and assigns.

12.5 **Delivery of Documents and Notices.** Any document relating to participation in the Plan or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by a Participating Company, or upon deposit in the U.S. Post Office or foreign postal service, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to the Grant Notice or at such other address as such party may designate in writing from time to time to the other party.

(a) **Description of Electronic Delivery.** The Plan documents, which may include but do not necessarily include: the Plan, the Grant Notice, this Agreement, the Plan Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. In addition, the parties may deliver electronically any notices called for in connection with the Escrow and the Participant may deliver electronically the Grant Notice to the Company or to such third party involved in administering the Plan as the Company may designate from time to time. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the Plan, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) **Consent to Electronic Delivery.** The Participant acknowledges that the Participant has read Section 12.5(a) of this Agreement and consents to the electronic delivery of the Plan documents, the Grant Notice and notices in connection with the Escrow, as described in Section 12.5(a). The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in Section 12.5(a) or may change the

electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents described in Section 12.5(a).

**12.6 Integrated Agreement.** The Grant Notice, this Agreement and the Plan together with any employment, service or other agreement between the Participant and a Participating Company referring to the Award shall constitute the entire understanding and agreement of the Participant and the Participating Company Group with respect to the subject matter contained herein or therein and supersedes any prior agreements, understandings, restrictions, representations, or warranties among the Participant and the Participating Company Group with respect to such subject matter other than those as set forth or provided for herein or therein. To the extent contemplated herein or therein, the provisions of the Grant Notice and the Agreement shall survive any settlement of the Award and shall remain in full force and effect.

**12.7 Beneficiary Designation.** Subject to local laws and procedures, each Participant may file with the Company a written designation of a beneficiary who is to receive any benefit under the Plan and this Agreement to which the Participant is entitled in the event of such Participant's death before he or she receives any or all of such benefit. Each designation will revoke all prior designations by the same Participant, shall be in a form prescribed by the Company, and will be effective only when filed by the Participant in writing with the Company during the Participant's lifetime. If a married Participant designates a beneficiary other than the Participant's spouse, the effectiveness of such designation may be subject to the consent of the Participant's spouse. If a Participant dies without an effective designation of a beneficiary who is living at the time of the Participant's death, the Company will pay any remaining unpaid benefits to the Participant's legal representative.

**12.8 Applicable Law.** This Agreement shall be governed by the laws of the State of California as such laws are applied to agreements between California residents entered into and to be performed entirely within the State of California.

**12.9 Counterparts.** The Grant Notice may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**GLOBALSTAR, INC.**  
**NOTICE OF GRANT OF RESTRICTED STOCK**

The Participant has been granted an award (the "**Award**") pursuant to the Globalstar, Inc. 2006 Equity Incentive Plan (the "**Plan**") of certain shares of Stock (the "**Shares**"), as follows:

**Participant:** \_\_\_\_\_

**Date of Grant:** \_\_\_\_\_

**Total Number of Shares:** \_\_\_\_\_

**Vested Shares:** Except as provided in the Restricted Stock Agreement and provided that the Participant's Service has not terminated prior to the relevant date, the number of Vested Shares shall cumulatively increase on each respective date set forth below by the number of shares set forth opposite such date, as follows:

Vesting Date	No. Shares Vesting	Cumulative No. Vested Shares
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By their signatures below or by electronic acceptance or authentication in a form authorized by the Company, the Company and the Participant agree that the Award is governed by this Grant Notice and by the provisions of the Plan and the Restricted Stock Agreement, both of which are made part of this document. The Participant acknowledges that copies of the Plan, Restricted Stock Agreement and the prospectus for the Plan are attached hereto. The Participant represents that the Participant has read and is familiar with the provisions of the Plan and the Restricted Stock Agreement, and hereby accepts the Award subject to all of their terms and conditions.

GLOBALSTAR, INC.

PARTICIPANT

By: \_\_\_\_\_

\_\_\_\_\_

Signature

Its: \_\_\_\_\_

\_\_\_\_\_

Date

Address: \_\_\_\_\_

\_\_\_\_\_

Address

\_\_\_\_\_

**ATTACHMENTS:** 2006 Equity Incentive Plan, as amended to the Date of Grant; Restricted Stock Agreement; Joint Escrow Instructions; Assignment Separate from Certificate and Plan Prospectus

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ASSIGNMENT SEPARATE FROM CERTIFICATE

FOR VALUE RECEIVED the undersigned does hereby sell, assign and transfer unto \_\_\_\_\_ ( \_\_\_\_\_ )  
shares of the Capital Stock of GLOBALSTAR, INC. standing in the undersigned's name on the books of said corporation represented by Certificate  
No. \_\_\_\_\_ herewith and does hereby irrevocably constitute and appoint \_\_\_\_\_ Attorney to transfer the said stock on the books of  
said corporation with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

Instructions: Please do not fill in any blanks other than the signature line. The purpose of this assignment is to enable the Company to exercise its Company  
Reacquisition Right set forth in the Restricted Stock Agreement without requiring additional signatures on the part of the Participant.

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## QuickLinks

[Exhibit 10.29](#)

[GLOBALSTAR, INC. RESTRICTED STOCK AGREEMENT](#)  
[GLOBALSTAR, INC. NOTICE OF GRANT OF RESTRICTED STOCK](#)  
[ASSIGNMENT SEPARATE FROM CERTIFICATE](#)

**Subsidiaries of Globalstar, Inc.**

As of December 31, 2007, the material subsidiaries of Globalstar, Inc., their jurisdiction of organization and the percent of their voting securities owned by their immediate parent entity were as follows:

Subsidiary	Organized Under Laws of	% of Voting Securities Owned by Immediate Parent
GSSI, LLC	Delaware	100%
ATSS Canada, Inc.	Delaware	100%
Globalstar Satellite Services Pte., Ltd	Singapore	100%
Globalstar Satellite Services Pty., Ltd	South Africa	100%
Globalstar C, LLC	Delaware	100%
Mobile Satellite Services B.V.	Netherlands	100%
Globalstar Europe, S.A.R.L.	France	100%
Globalstar Europe Satellite Services, Ltd.	Ireland	100%
Globalstar Leasing LLC	Delaware	100%
Globalstar Licensee LLC	Delaware	100%
Globalstar Security Services, LLC	Delaware	100%
Globalstar USA, LLC	Delaware	100%
GUSA Licensee LLC	Delaware	100%
Globalstar Canada Satellite Co.	Nova Scotia, Canada	100%
Globalstar de Venezuela, C.A.	Venezuela	100%
Globalstar Colombia, Ltda.	Colombia	100%
Globalstar Caribbean Ltd.	Cayman Islands	100%
Globalstar Republica Dominicana, S.A. (Dormant)	Dominican Republic	100%
GCL Licensee LLC	Delaware	100%
Globalstar Americas Acquisitions, Ltd.	British Virgin Islands	100%
Globalstar Americas Holding Ltd.	British Virgin Islands	100%
Globalstar Gateway Company S.A.	Nicaragua	100%
Globalstar Americas Telecommunications Ltd.	British Virgin Islands	100%
Globalstar Honduras S.A.	Honduras	100%
Globalstar Nicaragua S.A.	Nicaragua	100%
Globalstar de El Salvador, SA de CV	El Salvador	100%
Globalstar Panama, Corp.	Panama	100%
Globalstar Guatemala S.A.	Guatemala	100%
Globalstar Belize Ltd.	Belize	100%
Astral Technologies Investment Ltd.	British Virgin Islands	100%
Astral Technology Nicaragua S.A.	South America	100%
SPOT Inc.	Colorado	100%

## QuickLinks

[Exhibit 21.1](#)

[Subsidiaries of Globalstar, Inc.](#)

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the registration statements on Form S-8 (No. 333-138590 and No. 333-145283) of Globalstar, Inc. of our report dated March 14, 2008, with respect to the consolidated financial statements of Globalstar, Inc., and the effectiveness of internal control over financial reporting, which report appears in this Annual Report on Form 10-K of Globalstar, Inc. for the year ended December 31, 2007.

/s/ CROWE CHIZEK AND COMPANY LLP

Oak Brook, Illinois  
March 14, 2008

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QuickLinks

[Exhibit 23.1](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

**Certification of Chief Executive Officer**

I, James Monroe III, certify that:

1. I have reviewed this annual report on Form 10-K 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)) 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) 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
  - (c) 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: March 14, 2008

By: /s/ JAMES MONROE III

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James Monroe III  
Chief Executive Officer

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QuickLinks

[Exhibit 31.1](#)

[Certification of Chief Executive Officer](#)

**Certification of Chief Financial Officer**

I, Fuad Ahmad, certify that:

1. I have reviewed this annual report on Form 10-K 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)) 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) 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
  - (c) 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: March 14, 2008

By: /s/ FUAD AHMAD

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Fuad Ahmad  
Chief Financial Officer

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QuickLinks

[Exhibit 31.2](#)

[Certification of 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 annual report on Form 10-K for the year ended December 31, 2007 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-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 14, 2008

By: /s/ JAMES MONROE III

\_\_\_\_\_  
James Monroe III  
Chief Executive Officer

Dated: March 14, 2008

By: /s/ FUAD AHMAD

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Fuad Ahmad  
Chief Financial Officer

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## QuickLinks

[Exhibit 32.1](#)

[Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)