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

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**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2008

OR

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

For the transition period from                      to

Commission file number 001-33117

**GLOBALSTAR, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**  
(State or Other Jurisdiction of  
Incorporation or Organization)

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

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date. As of August 4, 2008, there were outstanding 113,351,878 shares of Common Stock, par value \$0.0001 per share.

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**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements**

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

|  | Three Months Ended |                    | Six Months Ended   |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | June 30,<br>2008   | June 30,<br>2007   | June 30,<br>2008   | June 30,<br>2007   |
| Revenue:   |                    |                    |                    |                    |
| Service revenue  | \$ 16,673          | \$ 19,984          | \$ 32,683          | \$ 37,450          |
| Subscriber equipment sales   | 6,326              | 5,853              | 12,450             | 11,541             |
| Total revenue  | <u>22,999</u>      | <u>25,837</u>      | <u>45,133</u>      | <u>48,991</u>      |
| Operating expenses:  |                    |                    |                    |                    |
| Cost of services (exclusive of depreciation and amortization shown separately below) | 8,607              | 6,738              | 16,082             | 13,121             |
| Cost of subscriber equipment sales:  |                    |                    |                    |                    |
| Cost of subscriber equipment sales   | 4,118              | 4,557              | 9,099              | 8,008              |
| Cost of subscriber equipment sales – Impairment of assets                            | 349                | 17,255             | 413                | 17,255             |
| Total cost of subscriber equipment sales   | <u>4,467</u>       | <u>21,812</u>      | <u>9,512</u>       | <u>25,263</u>      |
| Marketing, general, and administrative   | 15,482             | 10,634             | 31,230             | 22,116             |
| Depreciation and amortization  | 6,521              | 2,537              | 11,939             | 4,961              |
| Total operating expenses   | <u>35,077</u>      | <u>41,721</u>      | <u>68,763</u>      | <u>65,461</u>      |
| Operating loss   | <u>(12,078)</u>    | <u>(15,884)</u>    | <u>(23,630)</u>    | <u>(16,470)</u>    |
| Other income (expense):  |                    |                    |                    |                    |
| Interest income  | 1,565              | 691                | 2,933              | 1,519              |
| Interest expense   | (472)              | (385)              | (1,469)            | (696)              |
| Interest rate derivative gain  | 3,743              | 1,910              | 204                | 1,546              |
| Other  | (77)               | (187)              | 8,174              | 1,047              |
| Total other income (expense)   | <u>4,759</u>       | <u>2,029</u>       | <u>9,842</u>       | <u>3,416</u>       |
| Loss before income taxes   | <u>(7,319)</u>     | <u>(13,855)</u>    | <u>(13,788)</u>    | <u>(13,054)</u>    |
| Income tax expense (benefit)   | 29                 | (1,168)            | 195                | (811)              |
| Net loss   | <u>\$ (7,348)</u>  | <u>\$ (12,687)</u> | <u>\$ (13,983)</u> | <u>\$ (12,243)</u> |
| Loss per common share:   |                    |                    |                    |                    |
| Basic  | \$ (0.09)          | \$ (0.17)          | \$ (0.17)          | \$ (0.16)          |
| Diluted  | (0.09)             | (0.17)             | (0.17)             | (0.16)             |
| Weighted-average shares outstanding:   |                    |                    |                    |                    |
| Basic  | 84,029             | 75,657             | 83,243             | 74,660             |
| Diluted  | 84,029             | 75,657             | 83,243             | 74,660             |

See accompanying notes to unaudited interim consolidated financial statements.

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

|   | June 30,<br>2008  | December 31,<br>2007 |
|---|-------------------|----------------------|
| <b>ASSETS</b>   |                   |                      |
| Current assets:   |                   |                      |
| Cash and cash equivalents   | \$ 25,596         | \$ 37,554            |
| Accounts receivable, net of allowance of \$4,607 (2008) and \$4,177 (2007)  | 11,461            | 12,399               |
| Inventory   | 62,441            | 54,939               |
| Advances for inventory  | 9,756             | 9,769                |
| Deferred tax assets   | 1,238             | 1,257                |
| Prepaid expenses and other current assets   | 8,339             | 3,262                |
| Total current assets  | <u>118,831</u>    | <u>119,180</u>       |
| Property and equipment:   |                   |                      |
| Spare satellites and related launch costs   | —                 | 47,848               |
| Second-generation satellites, launch costs and ground segment   | 311,003           | 147,998              |
| Globalstar System, net  | 129,044           | 84,939               |
| Other property and equipment, net   | 11,764            | 9,318                |
|   | <u>451,811</u>    | <u>290,103</u>       |
| Other assets:   |                   |                      |
| Restricted cash   | 135,614           | 80,871               |
| Deferred tax assets   | 20,534            | 20,303               |
| Other assets, net   | 16,436            | 2,518                |
| Total assets  | <u>\$ 743,226</u> | <u>\$ 512,975</u>    |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                   |                      |
| Current liabilities:  |                   |                      |
| Accounts payable  | \$ 12,900         | \$ 8,400             |
| Accrued expenses  | 23,524            | 17,650               |
| Payables to affiliates  | 1,269             | 1,487                |
| Deferred revenue  | 16,612            | 19,396               |
| Total current liabilities   | <u>54,305</u>     | <u>46,933</u>        |
| Borrowings under revolving credit facility  | —                 | 50,000               |
| Long term debt  | 100,000           | —                    |
| Long term convertible senior notes  | 150,000           | —                    |
| Employee benefit obligations, net of current portion  | 1,573             | 1,779                |
| Other non-current liabilities   | 33,920            | 8,719                |
| Total non-current liabilities   | <u>285,493</u>    | <u>60,498</u>        |
| Ownership equity:   |                   |                      |
| Preferred Stock, \$0.0001 par value; 100,000 shares authorized, issued and outstanding — none   | —                 | —                    |
| Common Stock, \$0.0001 par value; 800,000 shares authorized, 113,354 shares issued and outstanding at June 30, 2008 and 83,693 shares issued and outstanding at December 31, 2007 | 11                | 8                    |
| Additional paid-in capital  | 421,063           | 407,743              |
| Accumulated other comprehensive income  | 1,955             | 3,411                |
| Retained deficit  | (19,601)          | (5,618)              |
| Total ownership equity  | <u>403,428</u>    | <u>405,544</u>       |
| Total liabilities and shareholders' equity  | <u>\$ 743,226</u> | <u>\$ 512,975</u>    |

See accompanying notes to unaudited interim consolidated financial statements.

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

|  | Six Months Ended |               |
|--|------------------|---------------|
|  | June 30, 2008    | June 30, 2007 |
| Cash flows from operating activities:                                    |                  |               |
| Net loss   | \$ (13,983)      | \$ (12,243)   |
| Adjustments to reconcile net loss to net cash from operating activities: |                  |               |

|  |                  |                  |
|--|------------------|------------------|
| Deferred income taxes  | (269)            | (952)            |
| Depreciation and amortization  | 11,939           | 4,961            |
| Interest rate derivative loss  | (204)            | (1,546)          |
| Stock-based compensation expense   | 7,003            | 724              |
| Loss (gain) on disposal of fixed assets  | 80               | (138)            |
| Provision for bad debts  | 672              | 885              |
| Interest income on restricted cash   | (2,474)          | (986)            |
| Contribution of services   | 225              | 174              |
| Cost of subscriber equipment sales - impairment of assets                              | 413              | 17,255           |
| Amortization of deferred financing costs   | 262              | 221              |
| Changes in operating assets and liabilities, net of acquisition:                       |                  |                  |
| Accounts receivable  | 239              | 2,901            |
| Inventory  | (10,025)         | (17,879)         |
| Advances for inventory   | (270)            | 4,461            |
| Prepaid expenses and other current assets  | (186)            | (246)            |
| Other assets   | (1,996)          | 303              |
| Accounts payable   | (2,281)          | (8,497)          |
| Payables to affiliates   | (142)            | (26)             |
| Accrued expenses and employee benefit obligations                                      | (2,734)          | (3,661)          |
| Other non-current liabilities  | 1,707            | (623)            |
| Deferred revenue   | (2,429)          | (1,559)          |
| Net cash from operating activities   | <u>(14,453)</u>  | <u>(16,471)</u>  |
| Cash flows from investing activities:  |                  |                  |
| Spare and second-generation satellites and launch costs                                | (132,581)        | (72,867)         |
| Second-generation ground   | (5,074)          |                  |
| Property and equipment additions   | (2,827)          | (1,756)          |
| Proceeds from sale of property and equipment   | 146              | 268              |
| Investment in businesses   | (2,000)          | —                |
| Cash acquired on purchase of subsidiary  | 1,839            | —                |
| Restricted cash  | (43,639)         | —                |
| Net cash from investing activities   | <u>(184,136)</u> | <u>(74,355)</u>  |
| Cash flows from financing activities:  |                  |                  |
| Borrowings from long-term convertible senior notes                                     | 150,000          | —                |
| Borrowings from long term debt   | 100,000          | —                |
| Repayment of revolving credit loan   | (50,000)         | —                |
| Proceeds from irrevocable standby stock purchase agreement                             | —                | 59,255           |
| Deferred financing cost payments   | (4,854)          | (1,011)          |
| Reduction in derivative margin account balance requirements                            | 335              | —                |
| Net cash from financing activities   | <u>195,481</u>   | <u>58,244</u>    |
| Effect of exchange rate changes on cash  | (8,850)          | (1,042)          |
| Net decrease in cash and cash equivalents  | (11,958)         | (33,624)         |
| Cash and cash equivalents, beginning of period   | 37,554           | 43,698           |
| Cash and cash equivalents, end of period   | <u>\$ 25,596</u> | <u>\$ 10,074</u> |
| Supplemental disclosure of cash flow information:                                      |                  |                  |
| Cash paid for:   |                  |                  |
| Interest   | \$ 4,613         | \$ 2,119         |
| Income taxes   | \$ 157           | \$ 18            |
| Supplemental disclosure of non-cash financing and investing activities:                |                  |                  |
| Conversion of redeemable Common Stock to Common Stock                                  | \$ —             | \$ 1,249         |
| Accrued launch costs and second-generation satellites costs                            | \$ 8,308         | \$ 5,709         |
| Capitalization of interest for spare and second-generation satellites and launch costs | \$ 4,389         | \$ —             |
| Vendor financing of second-generation satellites                                       | \$ 16,408        | \$ —             |
| Fair value of assets acquired on purchase of subsidiary                                | \$ 19,928        | \$ —             |
| Fair value of liabilities assumed on purchase of subsidiary                            | \$ 13,211        | \$ —             |

See accompanying notes to unaudited interim consolidated financial statements.

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## GLOBALSTAR, INC.

### NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### Note 1: The Company and Summary of Significant Accounting Policies

##### Nature of Operations

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

Globalstar is a leading provider of mobile voice and data communications services via satellite. Globalstar’s network, originally owned by Globalstar, L.P. (“Old Globalstar”), was designed, built and launched in the late 1990s by a technology partnership led by Loral Space and Communications (“Loral”)

and QUALCOMM Incorporated (“QUALCOMM”). On February 15, 2002, Old Globalstar and three of its subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. In 2004, Thermo Capital Partners L.L.C., together with its affiliates (“Thermo”), became Globalstar’s principal owner, and Globalstar completed the acquisition of the business and assets of Old Globalstar. Thermo remains Globalstar’s largest stockholder. Globalstar’s Chairman and Chief Executive Officer controls Thermo and its affiliates. Two other members of Globalstar’s Board of Directors are also directors, officers or minority equity owners of various Thermo entities.

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

### ***Basis of Presentation***

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

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company evaluates its estimates on an ongoing basis, including those related to revenue recognition, allowance for doubtful accounts, inventory valuation, deferred tax assets, property and equipment, warranty obligations and contingencies and litigation. Actual results could differ from these estimates.

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

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

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Other income (expense) includes foreign exchange transaction gains (losses) of \$(0.1) million and \$8.1 million for the three and six months ended June 30, 2008, respectively, and \$(0.2) million and \$1.1 million for the three and six months ended June 30, 2007, respectively.

### ***Recent Accounting Pronouncements***

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

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

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133” (“SFAS No. 161”). SFAS No. 161 requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities. It requires a company to convey better the purpose of derivative use in terms of the risks that it is intending to manage. Disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect a company’s financial position, financial performance, and cash flows are required. SFAS No. 161 retains the same scope as SFAS No. 133 and is effective for fiscal years and interim periods beginning after November 15, 2008. The Company is currently assessing implementation plans and does not expect the adoption of SFAS No. 161 to have a material impact, if any, on the Company’s financial position, results of operations, or cash flows.

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

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

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**Note 2: Basic and Diluted Loss Per Share**

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

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

|   | Three Months Ended June 30, 2008 |  |                     | Six Months Ended June 30, 2008 |  |                     |
|---|----------------------------------|--|---------------------|--------------------------------|--|---------------------|
|   | Income<br>(Numerator)            | Weighted<br>Average Shares<br>Outstanding<br>(Denominator) | Per-Share<br>Amount | Income<br>(Numerator)          | Weighted<br>Average Shares<br>Outstanding<br>(Denominator) | Per-Share<br>Amount |
| <b>Basic and Dilutive loss per common share</b> |                                  |  |                     |                                |  |                     |
| Net loss  | \$ (7,348)                       | 84,029   | \$ (0.09)           | \$ (13,983)                    | 83,243   | \$ (0.17)           |

  

|   | Three Months Ended June 30, 2007 |  |                     | Six Months Ended June 30, 2007 |  |                     |
|---|----------------------------------|--|---------------------|--------------------------------|--|---------------------|
|   | Income<br>(Numerator)            | Weighted<br>Average Shares<br>Outstanding<br>(Denominator) | Per-Share<br>Amount | Income<br>(Numerator)          | Weighted<br>Average Shares<br>Outstanding<br>(Denominator) | Per-Share<br>Amount |
| <b>Basic and Dilutive loss per common share</b> |                                  |  |                     |                                |  |                     |
| Net loss  | \$ (12,687)                      | 75,657   | \$ (0.17)           | \$ (12,243)                    | 74,660   | \$ (0.16)           |

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

Shares issued under the Share Lending Agreement are excluded from the computation of earnings per share (Note 13).

**Note 3: Acquisitions**

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

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

|                           | March 25,<br>2008 |
|---------------------------|-------------------|
| Current assets            | \$ 7,695          |
| Property and equipment    | 6,872             |
| Long-term assets          | 5,361             |
| Total assets acquired     | 19,928            |
| Current liabilities       | 6,419             |
| Long-term liabilities     | 6,792             |
| Total liabilities assumed | 13,211            |
| Net assets acquired       | \$ 6,717          |



**Note 4: Property and Equipment**

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

|   | June 30,<br>2008  | December 31,<br>2007 |
|---|-------------------|----------------------|
| Globalstar System:                                    |                   |                      |
| Space segment   | \$ 133,012        | \$ 85,142            |
| Ground segment  | 27,909            | 21,530               |
| Second-generation satellites and related launch costs | 305,945           | 147,998              |
| Second-generation ground segment                      | 5,074             | —                    |
| Spare satellites and related launch costs             | —                 | 47,848               |
| Furniture and office equipment                        | 16,021            | 14,417               |
| Land and buildings                                    | 3,084             | 2,478                |
| Leasehold improvements                                | 714               | 717                  |
| Construction in progress                              | 2,774             | 1,132                |
|   | <u>494,533</u>    | <u>321,262</u>       |
| Accumulated depreciation                              | <u>(42,722)</u>   | <u>(31,159)</u>      |
|   | <u>\$ 451,811</u> | <u>\$ 290,103</u>    |

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

On November 30, 2006, the Company entered into a contract with Thales Alenia Space (formerly known as Alcatel Alenia Space France) to construct 48 low-earth orbit satellites. The total contract price, including subsequent additions, is approximately €667.7 million (approximately \$1,005.9 million at a weighted average conversion rate of €1.00 = \$1.5065 at June 30, 2008) including approximately €146.8 million which will be paid by the Company in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940. The contract requires Thales Alenia Space to commence delivery of satellites in the third quarter of 2009, with deliveries continuing until 2013 unless Globalstar elects to accelerate delivery. At June 30, 2008, \$104.0 million was held in escrow to secure the Company's payment obligations related to its contract for the construction of its second-generation satellite constellation. Funds that the Company deposits into the escrow account to support this contract will be used to make payments under this contract in the future. At the Company's request, Thales Alenia Space has presented a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$10.6 million to \$21.2 million at €1.00 = \$1.5799). In 2007, the Company authorized the first two portions of the Thales' four-part sequential plan with an additional cost of €4.1 million (\$6.5 million at €1.00 = \$1.5799). The Company cannot provide assurances that any of the remaining acceleration will occur.

In March 2007, the Company and Thales Alenia Space entered into an agreement for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for the Company's second-generation satellite constellation. This agreement complements the second-generation satellite construction contract between Globalstar and Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.1 million (approximately \$13.4 million at a weighted average conversion rate of €1.00 = \$1.4734) consisting of €4.0 million for the Satellite Operations Control Centers, €3.1 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. Globalstar has the option to terminate the contract if excusable delays affecting Thales Alenia Space's ability to perform the contract total six consecutive months or at its convenience. If Globalstar terminates the contract, it must pay Thales Alenia Space the lesser of its unpaid costs for work performed by Thales Alenia Space and its subcontractors or payments for the next two quarters following termination. If Thales Alenia Space has not completed the Control Network Facility acceptance review within 60 days of the due date, Globalstar will be entitled to certain liquidated damages. Failure to complete the Control Network Facility acceptance review on or before six months after the due date results in a default by Thales Alenia Space, entitling Globalstar to a refund of all payments, except for liquidated damage amounts previously paid or with respect to items where final delivery has occurred. The Control Network Facility, when accepted, will be covered by a limited one-year warranty. The contract contains customary arbitration and indemnification provisions.

On September 5, 2007, the Company and Arianespace (the "Launch Provider") entered into an agreement for the launch of the Company's second-generation satellites and certain pre and post-launch services. Pursuant to the agreement, the Launch Provider will make four launches of six satellites each, and the Company has the option to require the Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is approximately \$210.1 million. See "Item 2.

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

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

On May 14, 2008, the Company and Hughes Network Systems, LLC ("Hughes") entered into an agreement under which Hughes will design, supply and implement the Radio Access Network ("RAN") ground network equipment and software upgrades for installation at a number of the Company's satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in various next-generation Globalstar devices. The

total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. The Company has the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. The RANs, when completed, will be covered by a limited one-year warranty, with an option for the Company to extend the warranty. The agreement contains customary arbitration and indemnification provisions.

As of June 30, 2008 and December 31, 2007, capitalized interest recorded was \$9.4 million and \$1.1 million, respectively. Interest capitalized during the three and six months ended June 30, 2008 was \$5.5 million and \$8.3 million, respectively. No interest was capitalized during the three and six months ended June 30, 2007. Depreciation expense for the three and six months ended June 30, 2008 was \$6.5 million and \$11.8 million, respectively, and \$2.5 million and \$4.9 million for the three and six months ended June 30, 2007, respectively.

#### Note 5: Payables to Affiliates

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

|                         | June 30,<br>2008 | December 31,<br>2007 |
|-------------------------|------------------|----------------------|
| QUALCOMM                | \$ 1,037         | \$ 1,286             |
| Thermo Capital Partners | 232              | 201                  |
|                         | <u>\$ 1,269</u>  | <u>\$ 1,487</u>      |

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the three and six months ended June 30, 2008, total expenses were approximately \$82,000 and \$110,000, respectively, and \$98,000 for each of the three and six months ended June 30, 2007.

For the three and six months ended June 30, 2008, the Company also recorded approximately \$112,000 and \$225,000, respectively, of non-cash expenses related to services provided by two executive officers of Thermo and the Company who receive no compensation from the Company, which were accounted for as a contribution to capital. For the three and six months ended June 30, 2007, the Company recorded \$87,000 and \$174,000, respectively, of expenses related to services provided by officers of Thermo, which were accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts incurred or upon allocated employee time. Management believes the allocations are reasonable.

#### Note 6: Other Related Party Transactions

Since 2005, Globalstar has issued separate purchase orders for additional phone equipment and accessories under the terms of previously executed commercial agreements with QUALCOMM. Within the terms of the commercial agreements, the Company paid QUALCOMM approximately 7.5% to 25% of the total order as advances for inventory. As of June 30, 2008 and December 31, 2007, total advances to QUALCOMM for inventory were \$9.4 million and \$9.7 million, respectively. As of June 30, 2008 and December 31, 2007, the Company had outstanding commitment balances of approximately \$52.7 million and \$57.0 million, respectively.

As required by the lender under the Company's then-current credit agreement discussed below, the Company executed an agreement with Thermo Funding Company LLC, an affiliate of Thermo ("Thermo Funding"), to provide Globalstar up to an additional \$200.0 million of equity via an irrevocable standby stock purchase agreement. The irrevocable standby purchase agreement allowed the Company to put up to 12,371,136 shares of its Common Stock to Thermo Funding at a predetermined price of approximately \$16.17 per share when the Company required additional liquidity or upon the occurrence of certain other specified

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events. Thermo Funding also could elect to purchase the shares at any time. Minority stockholders of Globalstar as of June 15, 2006 who were accredited investors and who received at least thirty-six shares of Globalstar Common Stock as a result of the Old Globalstar bankruptcy will be provided an opportunity to acquire Common Stock on the same terms. By November 2007, Thermo Funding had purchased all the Common Stock subject to the agreement and fully satisfied its commitment.

On August 16, 2006, the Company entered into an amended and restated credit agreement with Wachovia Investment Holdings, LLC, as administrative agent and swingline lender, and Wachovia Bank, National Association, as issuing lender, which was subsequently amended on September 29 and October 26, 2006. On December 17, 2007, Thermo Funding was assigned all the rights (except indemnification rights) and assumed all the obligations of the administrative agent and the lenders under the amended and restated credit agreement and the credit agreement was again amended and restated. The credit agreement as currently in effect provides for a \$50.0 million revolving credit facility and a \$100.0 million delayed draw term loan facility. As of June 30, 2008, the Company did not have any outstanding drawings under the revolving credit facility, but all \$100.0 million of the delayed draw term loan facility was outstanding. As of December 31, 2007, the Company had drawn \$50.0 million of the revolving credit facility but none of the delayed draw term loan was outstanding.

All loans will mature on December 31, 2012. Revolving credit loans bear interest at LIBOR plus 4.25% to 4.75% or the greater of the prime rate or Federal Funds rate plus 3.25% to 3.75%. The delayed draw term loan bears interest at either 5% plus the greater of the prime rate and the Federal Funds rate plus 0.5%, or LIBOR plus 6%. The delayed draw term loan facility bore an annual commitment fee of 2.0% until drawn or terminated. Commitment fees related to the loans, incurred during the three and six months ended June 30, 2008 were \$44,000 and \$0.2 million, respectively. Commitment fees related to the loans, incurred during the three and six months ended June 30, 2007, were \$0.5 million and \$1.1 million, respectively. The revolving credit loan facility bears an annual commitment fee of 0.5% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. To hedge a portion of the interest rate risk with respect to the delayed draw term loan, the Company entered into a five-year interest rate swap agreement. The loans may be prepaid without penalty at any time.

#### Purchases and other transactions with Affiliates

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

Three months ended

Six months ended



|                  | June 30,        |                  | June 30,        |                  |
|------------------|-----------------|------------------|-----------------|------------------|
|                  | 2008            | 2007             | 2008            | 2007             |
| QUALCOMM         | \$ 3,023        | \$ 9,735         | \$ 5,904        | \$ 22,692        |
| Other affiliates | 103             | 5,461            | 1,568           | 7,364            |
| Total            | <u>\$ 3,126</u> | <u>\$ 15,196</u> | <u>\$ 7,472</u> | <u>\$ 30,056</u> |

#### Note 7: Income Taxes

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

The application of FIN 48 resulted in a cumulative adjustment of \$0.6 million which decreased retained earnings. This decrease was a result of an unrecognized tax benefit of approximately \$73.7 million which was substantially offset by the application of a valuation allowance. The unrecognized tax benefit of \$74.5 million at December 31, 2007 did not change significantly during the three and six months ended June 30, 2008. In addition, future changes in the unrecognized tax benefit may not have an impact on the effective tax rate due to the existence of the valuation allowances on most of the Company's deferred tax assets.

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

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#### Note 8: Comprehensive Income (Loss)

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

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

|  | Three months ended<br>June 30, |                    | Six months ended<br>June 30, |                   |
|--|--------------------------------|--------------------|------------------------------|-------------------|
|  | 2008                           | 2007               | 2008                         | 2007              |
| Net loss                                 | \$ (7,348)                     | \$ (12,687)        | \$ (13,983)                  | \$ (12,243)       |
| Other comprehensive income:              |                                |                    |                              |                   |
| Foreign currency translation adjustments | (409)                          | 2,886              | (1,456)                      | 2,696             |
| Minimum pension liability adjustment     | —                              | (203)              | —                            | (203)             |
| Total comprehensive income (loss)        | <u>\$ (7,757)</u>              | <u>\$ (10,004)</u> | <u>\$ (15,439)</u>           | <u>\$ (9,750)</u> |

#### Note 9: Equity Incentive Plan

The Company's 2006 Equity Incentive Plan (the "Equity Plan") is a broad based, long-term retention program intended to attract and retain talented employees and align stockholder and employee interests. Approximately 1.2 million and 1.9 million restricted stock awards and restricted stock units (including grants to both employees and executives) were granted during the three and six months ended June 30, 2008, respectively. In January 2008, the Company's Board of Directors approved the addition of approximately 1.7 million shares of the Company's Common Stock to the shares available for issuance under the Equity Plan. The Company's stockholders approved the Amended and Restated Equity Plan on May 13, 2008, which added an additional 3.0 million shares of the Company's Common Stock to the shares available for issuance under the Equity Plan.

#### Note 10: Litigation and Other Contingencies

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

On February 9, 2007, the first of three purported class action lawsuits was filed against the Company, its Chief Executive Officer ("CEO") and its Chief Financial Officer ("CFO") in the United States District Court for the Southern District of New York alleging that the Company's registration statement related to its initial public offering ("IPO") in November 2006 contained material misstatements and omissions. The Court consolidated the three cases as *Ladmen Partners, Inc. v. Globalstar, Inc., et al.*, Case No. 1:07-CV-0976 (LAP), and appointed Connecticut Laborers' Pension Fund as lead plaintiff. On August 15, 2007, the lead plaintiff filed its Securities Class Action Consolidated Amended Complaint reasserting claims against the Company and the Company's CEO and CFO, and adding as defendants the three co-lead underwriters of the IPO, Wachovia Capital Markets, LLC, JPMorgan Securities, Inc. and Jefferies & Company, Inc. On November 15, 2007, plaintiffs filed a Second Amended Complaint. That complaint, which is what is currently before the Court, cites a drop in the trading price of the Company's Common Stock that followed its filing, on February 5, 2007, of a Current Report on Form 8-K relating in part to changes in the condition of its satellite constellation. It seeks, on behalf of a class of purchasers of the Company's Common Stock who purchased shares in the IPO, recovery of damages under Sections 11 and 15 of the Securities Act of 1933, and rescission under Section 12(a)(2) of the Securities Act of 1933. On February 15, 2008, all of the Defendants filed motions to dismiss the Second Amended Complaint. The Plaintiff's response to these motions was filed on April 15, 2008, and Defendants' reply memorandum was filed May 15, 2008. The Company intends to continue 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. Plaintiffs claim that the amount in controversy exceeds \$5.0 million but do not allege any particular actual damages incurred. Plaintiffs amended their complaint on June 29, 2007, and the Company filed a motion to dismiss the complaint on July 6, 2007. On September 25, 2007, the court issued an order granting in part and denying in part the Company's motion. Subsequently, on October 17, 2007, the plaintiffs filed their Second Amended Complaint, and Globalstar filed a reply and second motion to dismiss. On February 6, 2008, the judge granted Globalstar's motion in part and denied it in part, thereby narrowing the scope of the case. A mandatory mediation session was held March 10, 2008 and

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discovery related solely to the issue of certification of the class was completed in April 2008. A hearing on Plaintiffs' motion for class certification and Globalstar's motion for summary judgment is scheduled for November 3, 2008.

On April 24, 2007, Mr. Jean-Pierre Barrette filed a motion for Authorization to Institute a Class Action in Quebec, Canada, Superior Court against Globalstar Canada. Mr. Barrette asserted claims based on Quebec law related to his alleged problems with Globalstar Canada's service. In June 2008 Globalstar Canada and the plaintiff settled the case for an immaterial amount. The settlement was approved by the court on June 25, 2008 and class members had until July 28, 2008 to exclude themselves from the class.

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

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

**Note 11: Geographic Information**

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

|                                    | Three months ended<br>June 30, |                  | Six months ended<br>June 30, |                  |
|------------------------------------|--------------------------------|------------------|------------------------------|------------------|
|                                    | 2008                           | 2007             | 2008                         | 2007             |
| <b>Service:</b>                    |                                |                  |                              |                  |
| United States                      | \$ 8,345                       | \$ 11,206        | \$ 16,675                    | \$ 20,253        |
| Canada                             | 5,351                          | 6,881            | 11,122                       | 13,344           |
| Europe                             | 1,027                          | 1,121            | 2,072                        | 2,067            |
| Central and South America          | 1,761                          | 519              | 2,418                        | 1,229            |
| Others                             | 189                            | 257              | 396                          | 557              |
| Total service revenue              | 16,673                         | 19,984           | 32,683                       | 37,450           |
| <b>Subscriber equipment:</b>       |                                |                  |                              |                  |
| United States                      | 3,443                          | 1,904            | 5,988                        | 5,053            |
| Canada                             | 1,684                          | 1,293            | 4,012                        | 2,737            |
| Europe                             | 588                            | 2,061            | 1,419                        | 2,903            |
| Central and South America          | 607                            | 243              | 992                          | 459              |
| Others                             | 4                              | 352              | 39                           | 389              |
| Total subscriber equipment revenue | 6,326                          | 5,853            | 12,450                       | 11,541           |
| <b>Total revenue</b>               | <b>\$ 22,999</b>               | <b>\$ 25,837</b> | <b>\$ 45,133</b>             | <b>\$ 48,991</b> |

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**Note 12: Interest Rate Derivative**

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

| (In Thousands)  | December 31, 2007 | Fair Value Measurements at June 30, 2008 using                      |   |   | Total Balance   |
|---|-------------------|---|---|---|-----------------|
|   |                   | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |                 |
| <b>Other non-current liabilities:</b>                       |                   |   |   |   |                 |
| Interest rate derivative                                    | \$ 5,949          | \$ —  | \$ 5,745                                      | \$ —                                      | \$ 5,745        |
| <b>Total non-current liabilities measured at fair value</b> | <b>\$ 5,949</b>   | <b>\$ —</b>   | <b>\$ 5,745</b>                               | <b>\$ —</b>                               | <b>\$ 5,745</b> |

The increase in fair value for the three and six months ended June 30, 2008, of approximately \$3.7 million and \$0.2 million, respectively, was recognized as “Interest rate derivative gain” in the accompanying Consolidated Statements of Operations.

### **Note 13: Recent Public Offerings**

#### ***Convertible Senior Note Offering***

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

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

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

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

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

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

Holders may convert their Notes at their option at any time prior to the close of business on the business day immediately preceding April 1, 2028. The Notes are convertible into shares of Common Stock, subject to the Company’s option to deliver cash in lieu of all or a portion of the shares. The Notes are convertible at an initial conversion rate of 166.1820 shares of Common Stock per \$1,000 principal amount of Notes, subject to adjustment in the manner set forth in the Supplemental Indenture. The conversion rate may not exceed 240.9638 shares of Common Stock per \$1,000 principal amount of Notes, subject to adjustment. In addition to receiving the applicable amount of shares of Common Stock or cash in lieu of all or a portion of the shares, holders of Notes who convert their Notes prior to April 1, 2011 will receive the cash proceeds from the sale by the Escrow Agent of the portion of the government securities in the escrow account that are remaining with respect to any of the first six interest payments that have not been made on the Notes being converted.

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

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

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

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

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

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

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

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

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

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

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

**Common Stock Offering and Share Lending Agreement**

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

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pursuant to the Indenture), whether as a result of conversion, redemption, repurchase, cancellation, at maturity or otherwise, (ii) the written agreement of the Company and the Borrower to terminate, (iii) the occurrence of a Borrower default, at the option of Lender, and (iv) the occurrence of a Lender default, at the option of the Borrower. Pursuant to the Share Lending Agreement, upon the termination of the share loan, the Borrower must return the Borrowed Shares to the Company. The only exception would be that, if pursuant to a merger, recapitalization or reorganization, the Borrowed Shares were exchanged for or

converted into cash, securities or other property (“Reference Property”), the Borrower would return the Reference Property. Upon the conversion of Notes (in whole or in part), a number of Borrowed Shares proportional to the conversion rate for such notes must be returned to the Company. In no event will the Borrower retain the Borrowed Shares.

On April 10, 2008, the Company entered into an underwriting agreement (the “Equity Underwriting Agreement”) with the Borrower and the Borrowing Agent. Pursuant to and upon the terms of the Share Lending Agreement, the Company will issue and lend the Borrowed Shares to the Borrower as a share loan. The Borrowing Agent also is acting as an underwriter (the “Equity Underwriter”) with respect to the Borrowed Shares, which are being offered to the public. The Borrowed Shares include 21,936,020 shares of Common Stock initially loaned by the Company to the Borrower pursuant to Section 2(a) of the Underwriting Agreement, 5,000,000 shares of Common Stock loaned by the Company to the Borrower pursuant to a Borrowing Notice dated as of April 15, 2008 delivered pursuant to the Share Lending Agreement and the Underwriting Agreement, and an additional 9,208,550 shares of Common Stock that, from time to time, may be borrowed from the Company by the Borrower pursuant to the Share Lending Agreement and the Underwriting Agreement and subsequently offered and sold at prevailing market prices at the time of sale or negotiated prices. The sale of the Borrowed Shares was registered under the S-3 (33-149798). The Company used two prospectus supplements for the transaction, one for the sale of the Notes (and the underlying Common Stock) and the other for the sale of the Borrowed Shares. The Company filed the prospectus supplement for the sale of the Borrowed Shares pursuant to Rule 424(b) (3) on April 2, 2008 and pursuant to Rule 424(b) (5) on April 14, 2008. Hence the Borrowed Shares are free trading shares.

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

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

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

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

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

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

#### **Note 14: Subsequent Events**

On July 5, 2008, the Company amended its agreement with its Launch Provider for the launch of the Company’s second-generation satellites and certain pre and post-launch services. Under the amended terms, the Company can defer payment on up to 75% of certain amounts due to the Launch Provider. The deferred payments will incur annual interest at 8% to 12%.

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

### **Forward-Looking Statements**

Certain statements contained in or incorporated by reference into this Report, other than purely historical information, including, but not limited to, estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “intend,” “strategy,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” and similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. Forward-looking statements, such as the statements regarding our ability to develop and expand our business, our ability to manage costs, our ability to exploit and respond to technological innovation, the effects of laws and regulations (including tax laws and regulations) and legal and regulatory changes, the opportunities for strategic business combinations and the effects of consolidation in our industry on us and our competitors, our anticipated future revenues, our anticipated capital spending (including for future satellite procurements and launches), our anticipated financial resources, our expectations about the future operational performance of our satellites (including their projected operational lives), the



expected strength of and growth prospects for our existing customers and the markets that we serve, and other statements contained in this Report regarding matters that are not historical facts, involve predictions. Risks and uncertainties that could cause or contribute to such differences include, without limitation, those incorporated by reference into this Report, including those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

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

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

This “Management’s Discussion and Analysis of Financial Condition” should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition” and information included in our Annual Report on Form 10-K for the year ended December 31, 2007.

## 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.

*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.

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

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

- *Constellation life and health.* Our current satellite constellation is aging. We successfully launched our eight spare satellites in 2007. 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 ability to connect, or the duration of a call. If the S-band antenna on a satellite ceases to be commercially functional, two-way communication is impossible over that satellite, but not necessarily over the constellation as a whole. Subscriber service will continue to be available, but at certain times in any given location it may take longer to establish calls and the average duration of calls may be impacted adversely. There are periods of time each day during which no two-way voice and data service is available at any particular location. The root cause of our two-way communication issues is unknown, although we believe it may result from irradiation of the satellites in orbit caused by the space environment at the altitude that our satellites operate.

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

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

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 satellite messenger products and services, will not be affected.

We continue to work on plans, including new products and services and pricing programs to mitigate the effects of reduced service availability upon our customers and operations. Among other things, we requested Thales Alenia Space to present a plan for accelerating delivery of the initial 24 satellites of our second-generation constellation by up to four months. In 2007, we accepted the first two portions of the Thales’ four-part sequential plan. 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” in our Annual Report on Form 10-K for the year ended December 31, 2007.

- *Competition and pricing pressures.* We face increased competition from both the expansion of terrestrial-based cellular phone systems and from other mobile satellite service providers. We believe Inmarsat plans to commence offering satellite services to handheld devices in the United States in 2009, and several competitors, such as ICO Global Communications Company, are constructing geostationary satellites to provide mobile satellite service. The increased number of competitors, and the introduction of new services and products by competitors, increases competition for subscribers and pressures all providers, including us, to reduce prices. Increased competition may result in loss of subscribers, decreased revenue, decreased gross margins, higher churn rates, and, ultimately, decreased profitability and cash.
- *Technological changes.* It is difficult for us to respond promptly to major technological innovations by our competitors because substantially modifying or replacing our basic technology, satellites or gateways is time-consuming and very expensive. Approximately 61% of our total assets at June 30, 2008 represented fixed assets. Although we plan to procure and deploy our second-generation satellite constellation and upgrade our gateways and other ground facilities, we may nevertheless become vulnerable to the successful introduction of superior technology by our competitors.
- *Capital expenditures.* We have incurred significant capital expenditures from 2006 to 2008, and we expect to incur additional significant expenditures through 2013 under the following commitments:

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

In November, 2006, we entered into a contract with Thales Alenia Space for the construction of our second-generation constellation. The total contract price, including subsequent additions, will be approximately €667.7 million (approximately \$1,005.9 million at a weighted average conversion rate of €1.00 = \$1.5065 at June 30, 2008, including approximately €146.8 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940). We have made aggregate payments of approximately €182.6 million (approximately \$240.1 million) through June 30, 2008 under this contract. At our request, Thales Alenia Space has presented to us a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$10.6 million to \$21.2 million at € 1.00 = \$1.5799). In 2007, we accepted the first two portions of the Thales four-part sequential acceleration plan with an additional cost of €4.1 million (\$6.5 million at €1.00 = \$1.5799). We cannot provide assurances that any of the remaining acceleration will occur.

In March 2007, we entered into a €9.1 million (approximately \$13.4 million at a weighted average conversion rate of €1.00 = \$1.4734) agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the “Control Network Facility”) for our second-generation satellite constellation. We have made aggregate payments under this contract of approximately €5.0 million (approximately \$7.3 million) through June 30, 2008.

In September, 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.1 million. We have made aggregate payments under this contract of approximately \$18.4 million through June 30, 2008.

On May 14, 2008, we entered into a contract with Hughes under which Hughes will design, supply and implement the Radio Access Network (“RAN”) ground network equipment and software upgrades for installation at a number of our satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in our various next-generation devices. The total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. We have the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. We have made aggregate payments under this contract of approximately \$3.9 million through June 30, 2008.

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

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

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

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

- SPOT Satellite Messenger Addressable Market

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of that market by the end of 2010. The reach of our Simplex System, on which our SPOT satellite messenger products and services relies, covers approximately 60% of the world population. We intend to market our SPOT satellite messenger products and services aggressively in our overseas markets including South and Central America, Western Europe, and through independent gateway operators (“IGOs”) in their respective territories.

· SPOT Satellite Messenger Pricing

The pricing for SPOT satellite messenger products and services and equipment is intended to be extremely competitive. Annual service fees, depending whether they are for domestic or international service, currently range from \$99.99 to approximately \$156.00 for our basic level plan, and \$149.98 to approximately \$218.00 with additional tracking capability. We expect the equipment will be sold to end users at \$149.99 to approximately \$316.00 per unit.

· SPOT Satellite Messenger Distribution

We are distributing and selling our new SPOT satellite messenger through a variety of existing and new distribution channels. We have signed distribution agreements with a number of “Big Box” retailers and other similar distribution channels including Amazon.com, Bass Pro Shops, Best Buy Canada, Big 5 Sporting Goods, Big Rock Sports, Boater’s World, Cabela’s, Campmor, Joe’s Sport, London Drug, Outdoor and More, Gander Mountain, REI, Sportsman’s Warehouse, The Source by Circuit City dealers, Wal-Mart.com, West Marine, DBL Distribution, D.H. Distributions, and CWR Electronics. We have achieved our objective to sell SPOT satellite messenger products through approximately 5,000 distribution points by the end of the second quarter of 2008 and expect to reach 10,000 in 2009. We also intend to sell directly using our existing sales force into key vertical markets and through our direct e-commerce website ([www.findmespot.com](http://www.findmespot.com)).

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

· *Fluctuations in interest and currency rates.* Debt under our credit agreement bears interest at a floating rate. Therefore, increases in interest rates will increase our interest costs if debt is outstanding. A substantial portion of our revenue (42% for the six months ended June 30, 2008) is denominated in foreign currencies. In addition, a substantial majority of our obligations under the contracts for our second-generation constellation and related control network facility are denominated in Euros. The continuing decline in the relative value of the U.S. dollar versus the Euro has adversely affected our revenues and increased our capital expenditures. Further declines will exacerbate these effects. See “Item 3. Quantitative and Qualitative Disclosures about Market Risk” for additional information.

· *Ancillary Terrestrial Component (ATC).* ATC is the integration of a satellite-based service with a terrestrial wireless service resulting in a hybrid mobile satellite service. The ATC network would extend our services to urban areas and inside buildings in both urban and rural areas where satellite services currently are impractical. We believe we are at the forefront of ATC development and are actively working to be among the first market entrants. To that end, we are considering a range of options for rollout of our ATC services. We are exploring selective opportunities with a variety of media and communication companies to capture the full potential of our spectrum and United States ATC license.

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

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governmental approvals as may be required for the agreement, and Open Range’s completion of its equity and debt financing. In March 2008, Open Range secured approval for a \$267 million broadband loan from the Department of Agriculture’s Rural Utilities Program.

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

On April 10, 2008, the FCC increased our ATC grant to a total of 19.275 MHz in our two frequency bands. The FCC’s order is now final and effective. On May 16, 2008, we filed an application with the FCC to modify our authorization by adding additional wave forms. One of

these is the time division duplex (TDD) WiMAX wave form that Open Range intends to deploy. Two parties, Iridium and Sprint Nextel, filed petitions to deny our application, and we and Open Range have filed our oppositions to their petitions. We cannot predict when the FCC will act or whether the FCC will grant our application in whole or in part.

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

|   | Three months ended<br>June 30, 2008 |                       | Three months ended<br>June 30, 2007 |                       | Six months ended<br>June 30, 2008 |                       | Six months ended<br>June 30, 2007 |                       |
|---|-------------------------------------|-----------------------|-------------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|-----------------------|
|   | Revenue                             | % of Total<br>Revenue | Revenue                             | % of Total<br>Revenue | Revenue                           | % of Total<br>Revenue | Revenue                           | % of Total<br>Revenue |
| <b>Service Revenue:</b>                 |                                     |                       |                                     |                       |                                   |                       |                                   |                       |
| Mobile                                  | \$ 12,020                           | 52%                   | \$ 15,910                           | 62%                   | \$ 23,223                         | 51%                   | \$ 29,927                         | 61%                   |
| Fixed                                   | 946                                 | 4                     | 1,430                               | 6                     | 1,897                             | 4                     | 2,994                             | 6                     |
| Data                                    | 171                                 | 1                     | 387                                 | 1                     | 426                               | 1                     | 780                               | 1                     |
| Simplex                                 | 1,522                               | 7                     | 730                                 | 3                     | 2,401                             | 5                     | 1,160                             | 2                     |
| IGO                                     | 868                                 | 4                     | 889                                 | 3                     | 1,728                             | 4                     | 1,805                             | 4                     |
| Other(1)                                | 1,146                               | 4                     | 638                                 | 2                     | 3,008                             | 7                     | 784                               | 2                     |
| <b>Total Service Revenue</b>            | <b>16,673</b>                       | <b>72</b>             | <b>19,984</b>                       | <b>77</b>             | <b>32,683</b>                     | <b>72</b>             | <b>37,450</b>                     | <b>76</b>             |
| <b>Subscriber Equipment Sales:</b>      |                                     |                       |                                     |                       |                                   |                       |                                   |                       |
| Mobile                                  | 1,816                               | 8                     | 4,030                               | 16                    | 4,340                             | 10                    | 6,877                             | 14                    |
| Fixed                                   | 422                                 | 2                     | 615                                 | 3                     | 891                               | 2                     | 1,597                             | 3                     |
| Data and Simplex                        | 2,328                               | 10                    | 72                                  | 0                     | 4,535                             | 10                    | 366                               | 1                     |
| Accessories                             | 1,760                               | 8                     | 1,136                               | 4                     | 2,684                             | 6                     | 2,701                             | 6                     |
| <b>Total Subscriber Equipment Sales</b> | <b>6,326</b>                        | <b>28</b>             | <b>5,853</b>                        | <b>23</b>             | <b>12,450</b>                     | <b>28</b>             | <b>11,541</b>                     | <b>24</b>             |
| <b>Total Revenue</b>                    | <b>\$ 22,999</b>                    | <b>100%</b>           | <b>\$ 25,837</b>                    | <b>100%</b>           | <b>\$ 45,133</b>                  | <b>100%</b>           | <b>\$ 48,991</b>                  | <b>100%</b>           |

(1) Includes engineering services and activation fees

*Operating Loss.* We realized an operating loss of \$23.6 million for the six months ended June 30, 2008 compared to an operating loss of \$16.5 million for the same period in 2007. This decrease can be attributed primarily to lower service revenues and higher depreciation expense, non-cash compensation expense and advertising and marketing expense. Lower service revenue was a result of lower price service plans introduced to maintain our subscriber base despite two-way communication issues affecting our two-way service during the first six months of 2008. The higher depreciation expense resulted from placing all eight of our recently launched spare satellites into service. The higher advertising expense resulted from the launch of our SPOT satellite messenger product and services.

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

|  | Three months ended<br>June 30, |          |                 | Six months ended<br>June 30, |          |                 |
|--|--------------------------------|----------|-----------------|------------------------------|----------|-----------------|
|  | 2008                           | 2007     | % Net<br>Change | 2008                         | 2007     | % Net<br>Change |
| <b>Average number of subscribers for the period:</b> |                                |          |                 |                              |          |                 |
| Retail   | 120,729                        | 124,399  | (3)             | 118,855                      | 123,969  | (4)%            |
| IGO  | 78,730                         | 90,242   | (13)            | 82,640                       | 89,261   | (7)             |
| Simplex  | 105,127                        | 59,969   | 75              | 96,480                       | 58,156   | 66              |
| <b>ARPU (monthly):</b>                               |                                |          |                 |                              |          |                 |
| Retail   | \$ 38.57                       | \$ 47.50 | (19)            | \$ 38.36                     | \$ 45.11 | (15)            |
| IGO  | \$ 3.68                        | \$ 3.28  | 12              | \$ 3.49                      | \$ 3.37  | 4               |
| Simplex  | \$ 4.78                        | \$ 4.06  | 18              | \$ 4.12                      | \$ 3.32  | 24%             |

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|                                      | June 30, 2008 | June 30, 2007 | % Net Change |
|--------------------------------------|---------------|---------------|--------------|
| <b>Ending number of subscribers:</b> |               |               |              |
| Retail                               | 119,641       | 124,417       | (4)%         |
| IGO                                  | 77,929        | 91,284        | (15)         |
| Simplex                              | 118,341       | 61,960        | 91           |
| Total                                | 315,911       | 277,661       | 14%          |

The total number of net subscribers increased from approximately 278,000 at June 30, 2007 to approximately 316,000 at June 30, 2008. Although we experienced a net increase in our total customer base of 14% from June 30, 2007 to June 30, 2008, our total service revenue decreased for the same period. This is due primarily to lower contributions from subscribers in addition to the change in our subscriber mix.

### **Independent Gateway Acquisition Strategy**

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

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

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

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

### **Performance Indicators**

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

- total revenue, which is an indicator of our overall business growth;
- subscriber growth and churn rate, which are both indicators of the satisfaction of our customers;
- average monthly revenue per unit, or ARPU, which is an indicator of our pricing and ability to obtain effectively long-term, high-value customers. We calculate ARPU separately for each of our retail, IGO and Simplex businesses;

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

### **Seasonality**

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

### **Critical Accounting Policies and Estimates**

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

### **Revenue Recognition**

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

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

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

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

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

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

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

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During the second quarter of 2007, we introduced an unlimited airtime usage service plan (called the Unlimited Loyalty Plan) which allows existing and new customers to use unlimited satellite voice minutes for anytime calls for a fixed monthly fee. The unlimited loyalty plan incorporates a declining monthly price schedule that reduces the fixed monthly fee at the completion of each calendar year through the duration of the customer agreement, which ends on June 30, 2010. Customers have an option to extend their customer agreement by one year at the fixed monthly price. We record revenue for this plan monthly based on a straight line average derived by computing the total fees charged over the term of the customer agreement and dividing it by the number of the months. If a customer cancels prior to the ending date of the customer agreement, the balance in deferred revenue is recognized as revenue. At June 30, 2008 and December 31, 2007, our deferred revenue aggregated approximately \$17.9 million (with \$1.3 million included in non-current liabilities) and \$20.4 million (with \$1.0 million included in non-current liabilities), respectively.

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

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

## **Inventory**

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

## **Globalstar System, Property and Equipment**

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

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

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



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.

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***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 7 to our unaudited interim consolidated financial statements for the impact of this adoption on our financial statements.

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

Old Globalstar purchased eight additional satellites in 1998 for \$148.0 million (including performance incentives of up to \$16.0 million) to serve as on-ground spares. Costs of \$147.0 million (including a portion of the performance incentives) were previously recognized for these spare satellites. Prior to December 5, 2003, Old Globalstar recorded an impairment of these assets, and at December 5, 2003 they were carried at \$0.9 million. The eight spare satellites were launched successfully in two separate launches of four satellites each in May 2007 and October 2007. Depreciation of these assets began when the satellites were placed in service and began to handle call traffic. As of June 30, 2008, all eight satellites were in service. As of December 31, 2007, the spare satellites not in service were recorded at \$47.8 million. The amount relating to spare satellites that were placed into service during the three and six months ended June 30, 2008 (approximately \$32.1 million and \$48.0 million, respectively), was classified within the Globalstar System as part of the space segment. These satellites are being depreciated over an estimated useful life of eight years.

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

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

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

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.

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

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

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

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

### **Derivative Instrument**

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

### **Stock-Based Compensation**

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

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

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### **Results of Operations**

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

|  | Three months ended<br>June 30, |           | % Change |
|--|--------------------------------|-----------|----------|
|  | 2008                           | 2007      |          |
| <b>Revenue:</b>  |                                |           |          |
| Service revenue  | \$ 16,673                      | \$ 19,984 | (17)%    |
| Subscriber equipment sales   | 6,326                          | 5,853     | 8        |
| Total revenue  | 22,999                         | 25,837    | (11)     |
| <b>Operating expenses:</b>   |                                |           |          |
| Cost of services (exclusive of depreciation and amortization shown separately below) | 8,607                          | 6,738     | 28       |
| Cost of subscriber equipment sales:  |                                |           |          |
| Cost of subscriber equipment sales   | 4,118                          | 4,557     | (10)     |
| Cost of subscriber equipment sales – Impairment of assets                            | 349                            | 17,255    | (98)     |
| Total cost of subscriber equipment sales   | 4,467                          | 21,812    | (80)     |
| Marketing, general and administrative  | 15,482                         | 10,634    | 46       |
| Depreciation and amortization  | 6,521                          | 2,537     | 157      |
| Total operating expenses   | 35,077                         | 41,721    | (16)     |
| Operating loss   | (12,078)                       | (15,884)  | (24)     |
| <b>Other income (expense):</b>   |                                |           |          |
| Interest income  | 1,565                          | 691       | 126      |
| Interest expense   | (472)                          | (385)     | 23       |
| Interest rate derivative gain  | 3,743                          | 1,910     | 96       |

|                                 |                   |                    |              |
|---------------------------------|-------------------|--------------------|--------------|
| Other income (expense)          | (77)              | (187)              | (59)         |
| Total other income (expense)    | 4,759             | 2,029              | 135          |
| Income loss before income taxes | (7,319)           | (13,855)           | (47)         |
| Income tax (benefit) expense    | 29                | (1,168)            | (102)        |
| Net loss                        | <u>\$ (7,348)</u> | <u>\$ (12,687)</u> | <u>(42)%</u> |

**Revenue.** Total revenue decreased by \$2.8 million, or approximately 11%, to \$23.0 million for the three months ended June 30, 2008, from \$25.8 million for the three months ended June 30, 2007. This decrease is attributable to lower service revenue which, we believe, stems from lower price service plans introduced in order to maintain our subscriber base despite our two-way communication issues. This resulted in a reduction in our retail ARPU during the three months ended June 30, 2008, which decreased by 19% to \$38.57 from \$47.50 for the three months ended June 30, 2007.

**Service Revenue.** Service revenue decreased \$3.3 million, or approximately 17%, to \$16.7 million for the three months ended June 30, 2008, from \$20.0 million for the three months ended June 30, 2007. Our overall subscriber base grew 14% to approximately 316,000 over the twelve-month period from June 30, 2007 to June 30, 2008. All of such growth resulted from an increase in our Simplex customers. However, we experienced decreased retail ARPU for the three months ended June 30, 2008 compared to the same period in 2007. We believe that the two-way communication issues we first reported in February 2007 and related price reductions were the primary reasons for this reduction. This was partially offset by increases in our Simplex ARPU during the three months ended June 30, 2008 compared to the same period in 2007. The increase in our Simplex ARPU was due to introduction of SPOT satellite messenger services during the fourth quarter of 2007.

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**Subscriber Equipment Sales.** Subscriber equipment sales increased by approximately \$0.5 million, or approximately 8%, to \$6.3 million for the three months ended June 30, 2008, from \$5.9 million for the three months ended June 30, 2007. This increase is attributable to the sales of our SPOT satellite messenger product.

**Operating Expenses.** Total operating expenses decreased \$6.6 million, or approximately 16%, from \$41.7 million for the three months ended June 30, 2007 to \$35.1 million for the three months ended June 30, 2008. This decrease was due to an impairment charge of \$17.3 million that we recognized on our first generation subscriber equipment inventory during the three months ended June 30, 2007. This was partially offset by increased costs related to the launch of our new SPOT satellite messenger product and services, higher non-cash stock compensation expense and higher depreciation expense as a result of placing all eight of our recently launched spare satellites into service.

**Cost of Services.** Our cost of services for the three months ended June 30, 2008 and 2007 were \$8.6 million and \$6.7 million, respectively. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase in the cost of services during the three months ended June 30, 2008 is due to higher non-cash executive incentive compensation costs resulting from the change in our Executive Incentive Compensation Plan in August 2007.

**Cost of Subscriber Equipment Sales.** Cost of subscriber equipment sales decreased \$17.3 million, or approximately 80%, from \$21.8 million for the three months ended June 30, 2007 to \$4.5 million for the three months ended June 30, 2008. This decrease was due to an impairment charge of \$17.3 million that we recognized on our first-generation subscriber equipment during 2007.

**Marketing, General and Administrative.** Marketing, general and administrative expenses increased approximately \$4.8 million, or approximately 46%, from \$10.6 million for the three months ended June 30, 2007 to \$15.5 million for the three months ended June 30, 2008. This increase was due primarily to higher non-cash executive compensation costs resulting from the change in the Executive Incentive Compensation Plan as well as increased advertising and marketing costs related to the launch of our new SPOT satellite messenger product and services.

**Depreciation and Amortization.** Depreciation and amortization expense increased \$4.0 million, or approximately 157%, from \$2.5 million for the three months ended June 30, 2007 to \$6.5 million for the three months ended June 30, 2008. This increase was due primarily to the additional depreciation associated with placing all eight of our recently-launched spare satellites into service.

**Operating Loss.** Our operating loss of \$12.1 million for the three months ended June 30, 2008, decreased \$3.8 million from an operating loss of \$15.9 million for the three months ended June 30, 2007. The decrease was due to the absence in 2008 of the asset impairment charge recognized in 2007, which was partially offset by lower retail ARPU as a consequence of our two-way communication issues in 2008. Higher advertising and marketing costs and higher depreciation expense associated with placing all eight of our recently-launched spare satellites into service also contributed to our operating loss during the three months ended June 30, 2008.

**Interest Income.** Interest income increased by \$0.9 million for the three months ended June 30, 2008. This increase was due to increased cash balances on hand.

**Interest Expense.** Interest expense increased by \$0.1 million from \$0.4 million for the three months ended June 30, 2007, to \$0.5 million for the three months ended June 30, 2008. This increase was primarily due to higher levels of debt outstanding during the second quarter of 2008.

**Interest Rate Derivative Gain.** Interest rate derivative gain increased by \$1.8 million from a gain of \$1.9 million for three months ended June 30, 2007 to \$3.7 million for the three months ended June 30, 2008. This increase was due to an increase 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 expense decreased by \$0.1 million for the three months ended June 30, 2008 as compared to the same period in 2007, primarily as a result of the favorable exchange rate on the Euro denominated escrow account for our second-generation constellation procurement contract resulting from the decline of the U.S. dollar vis-à-vis the Euro.

**Income Tax Expense.** Income tax expense for the three months ended June 30, 2008 was less than \$0.1 million compared to a benefit of \$1.2 million during the same period in 2007. This was due primarily to the impairment charge recognized during the three months ended June 30, 2007.

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**Net Loss.** Our net loss decreased approximately \$5.3 million from a net loss of \$12.7 million for the three months ended June 30, 2007 to a loss of \$7.3 million for the three months ended June 30, 2008. This decrease was due to the asset impairment of approximately \$17.3 million recognized in 2007. In 2008, this was partially offset by lower retail ARPU as a consequence of our two-way communication issues. Furthermore, we experienced higher non-cash executive incentive compensation, advertising, marketing and depreciation expenses during the three months ended June 30, 2008.

*Comparison of Results of Operations for the Six Months Ended June 30, 2008 and 2007 (in thousands):*

|  | Six months ended<br>June 30, |                    | % Change    |
|--|------------------------------|--------------------|-------------|
|  | 2008                         | 2007               |             |
| <b>Revenue:</b>  |                              |                    |             |
| Service revenue  | \$ 32,683                    | \$ 37,450          | (13)%       |
| Subscriber equipment sales   | 12,450                       | 11,541             | 8           |
| Total revenue  | <u>45,133</u>                | <u>48,991</u>      | <u>(8)</u>  |
| <b>Operating expenses:</b>   |                              |                    |             |
| Cost of services (exclusive of depreciation and amortization shown separately below) | 16,082                       | 13,121             | 23          |
| Cost of subscriber equipment sales:  |                              |                    |             |
| Cost of subscriber equipment sales   | 9,099                        | 8,008              | 13          |
| Cost of subscriber equipment sales – Impairment of assets                            | 413                          | 17,255             | (97)        |
| Total cost of subscriber equipment sales   | <u>9,512</u>                 | <u>25,263</u>      | <u>(62)</u> |
| Marketing, general and administrative  | 31,230                       | 22,116             | 41          |
| Depreciation and amortization  | 11,939                       | 4,961              | 141         |
| Total operating expenses   | <u>68,763</u>                | <u>65,461</u>      | <u>5</u>    |
| Operating loss   | (23,630)                     | (16,470)           | (43)        |
| <b>Other income (expense):</b>   |                              |                    |             |
| Interest income  | 2,933                        | 1,519              | 93          |
| Interest expense   | (1,469)                      | (696)              | 111         |
| Interest rate derivative gain  | 204                          | 1,546              | (87)        |
| Other income (expense)   | 8,174                        | 1,047              | 681         |
| Total other income (expense)   | <u>9,842</u>                 | <u>3,416</u>       | <u>188</u>  |
| Income loss before income taxes  | (13,788)                     | (13,054)           | 6           |
| Income tax expense   | 195                          | (811)              | N/A         |
| Net loss   | <u>\$ (13,983)</u>           | <u>\$ (12,243)</u> | <u>14%</u>  |

**Revenue.** Total revenue decreased by \$3.9 million, or approximately 8%, from \$49.0 million for the six months ended June 30, 2007 to \$45.1 million for the six months ended June 30, 2008. This decrease is attributable to lower service revenue which we believe stems from lower price service plans introduced in order to maintain our subscriber base despite our two-way communication issues. This resulted in a reduction in our retail ARPU during the six months ended June 30, 2008, which decreased by 15% to \$38.36 from \$45.11 for the six months ended June 30, 2007.

**Service Revenue.** Service revenue decreased \$4.8 million, or approximately 13%, from \$37.5 million for the six months ended June 30, 2007 to \$32.7 million for the six months ended June 30, 2008. Although our overall subscriber base grew 14% to approximately 316,000 over the twelve-month period from June 30, 2007 to June 30, 2008, we experienced decreased retail ARPU. We believe that the two-way communication issues we first reported in February 2007 and related price reductions were the primary reasons for this decrease.

**Subscriber Equipment Sales.** Subscriber equipment sales increased by approximately \$0.9 million, or approximately 8%, from \$11.5 million for the six months ended June 30, 2007 to \$12.5 million for the six months ended June 30, 2008. This increase is attributable to the sales of our SPOT satellite messenger product.

**Operating Expenses.** Total operating expenses increased \$3.3 million, or approximately 5%, from \$65.5 million for the six months ended June 30, 2007 to \$68.8 million for the six months ended June 30, 2008. This increase was due to costs related to the launch of our new SPOT satellite messenger product and services, higher non-cash stock compensation expense and higher

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depreciation expense as a result of placing all eight of our recently launched spare satellites into service. Consistent with higher subscriber equipment sales, higher costs of subscriber equipment also contributed to the increase in operating expenses for the six months ended June 30, 2008.

**Cost of Services.** Our cost of services for the six months ended June 30, 2008 and 2007 were \$16.1 million and \$13.1 million, respectively. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase in the cost of services during the six months ended June 30, 2008 is due to higher non-cash executive incentive compensation costs resulting from the change in our Executive Incentive Compensation Plan in August 2007.

**Cost of Subscriber Equipment Sales.** Cost of subscriber equipment sales decreased \$15.8 million, or approximately 62%, from \$25.3 million for the six months ended June 30, 2007 to \$9.5 million for the six months ended June 30, 2008. This decrease was due primarily to the asset impairment charge of

\$17.3 million that we recognized in 2007, which was partially offset by higher equipment sales in the six months ended June 30, 2008 as compared to the same period in 2007 resulting from the introduction of our new SPOT satellite messenger product.

**Marketing, General and Administrative.** Marketing, general and administrative expenses increased \$9.1 million, or approximately 41%, from \$22.1 million for the six months ended June 30, 2007 to \$31.2 million for the six months ended June 30, 2008. This increase was due primarily to higher non-cash executive compensation costs resulting from the change in the Executive Incentive Compensation Plan as well as increased advertising and marketing costs related to the launch of our new SPOT satellite messenger product and services.

**Depreciation and Amortization.** Depreciation and amortization expense increased approximately \$7.0 million, or approximately 141%, from \$5.0 million for the six months ended June 30, 2007 to \$11.9 million for the six months ended June 30, 2008. This increase was due primarily to the additional depreciation associated with placing all eight of our recently-launched spare satellites into service.

**Operating Loss.** Our operating loss of \$23.6 million for the six months ended June 30, 2008, increased approximately \$7.2 million from an operating loss of \$16.5 million for the six months ended June 30, 2007. The increase was due to lower retail ARPU as a consequence of our two-way communication issues, higher non-cash executive incentive compensation, higher advertising and marketing costs and higher depreciation expense associated with placing all eight of our recently-launched spare satellites into service, partially offset by the absence in 2008 of the \$17.3 million impairment charge recorded in 2007.

**Interest Income.** Interest income increased by \$1.4 million for the six months ended June 30, 2008. This increase was due to increased cash balances on hand.

**Interest Expense.** Interest expense increased by \$0.8 million, to \$1.5 million for the six months ended June 30, 2008 from \$0.7 million for the six months ended June 30, 2007. This increase was primarily due to higher levels of debt outstanding during the first six months of 2008.

**Interest Rate Derivative Gain.** Interest rate derivative gain decreased by \$1.3 million to \$0.2 million for the six months ended June 30, 2008 from \$1.5 million for six months ended June 30, 2007. This decrease was due to change in the fair value of our interest rate swap agreement.

**Other Income (Expense).** Other income (expense) generally consists of foreign exchange transaction gains and losses. Other income increased by \$7.1 million for the six months ended June 30, 2008 as compared to the same period in 2007 primarily as a result of the favorable exchange rate on the Euro denominated escrow account for our second-generation constellation procurement contract resulting from the decline of the U.S. dollar vis-à-vis the Euro.

**Income Tax Expense.** Income tax expense for the six months ended June 30, 2008 was \$0.2 million compared to a benefit of \$0.8 million during the same period in 2007. This was due primarily to the impairment charge recognized during the six months ended June 30, 2007.

**Net Loss.** Our net loss increased approximately \$1.7 million to a loss of \$14.0 million for the six months ended June 30, 2008 from a net loss of \$12.2 million for the six months ended June 30, 2007. This increase was due to lower retail ARPU as a consequence of our two-way communication issues and higher non-cash executive incentive compensation, advertising, marketing and depreciation expenses during the six months ended June 30, 2008, partially offset by the absence in 2008 of the \$17.3 million impairment charge recorded in 2007.

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**Liquidity and Capital Resources**

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

|  | <u>Six Months Ended<br/>June 30, 2008</u> | <u>Six Months Ended<br/>June 30, 2007</u> |
|--|---|---|
| Net cash from (used in) operating activities | \$ (14,453)                               | \$ (16,471)                               |
| Net cash from (used in) investing activities | (184,136)                                 | (74,355)                                  |
| Net cash from financing activities           | 195,481                                   | 58,244                                    |
| Effect of exchange rate changes on cash      | (8,850)                                   | (1,042)                                   |
| Net decrease in cash and cash equivalents    | <u>\$ (11,958)</u>                        | <u>\$ (33,624)</u>                        |

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

- to make payments to procure our second-generation satellite constellation and construct the Control Network Facility in a total amount not yet determined, but which will include approximately €146.3 million (approximately \$231.1 million at a conversion rate of €1.00 = \$1.5799 at June 30, 2008) payable to Thales Alenia Space by June 30, 2009 under the purchase contract for our second-generation satellites. The amount payable to Thales Alenia Space by June 30, 2009 under the contract for construction of the Control Network Facility is approximately €4.1 million (approximately \$6.5 million at €1.00 = \$1.5799);
- to make payments related to our launch for the second-generation satellite constellation in the amount of \$10.5 million payable to our launch provider by June 30, 2009;
- to make payments related to the construction of our second-generation ground segment in the amount of \$12.4 million by June 30, 2009;
- to fund our working capital (\$64.5 million at June 30, 2008, which our management believes is sufficient for our present requirements).

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

| Dollars in millions                              | Six Months Ended<br>June 30, 2008 | Year Ended<br>December 31, 2007 |
|--|-----------------------------------|---------------------------------|
| Cash on-hand at beginning of period              | \$ 37.6                           | \$ 43.7                         |
| Net proceeds from Convertible Senior Notes       | \$ 119.6                          | \$                              |
| Borrowings under Thermo Funding credit agreement | \$ 100.0                          | \$ 50.0                         |
| Purchase of Common Stock by Thermo Funding       | \$ —                              | \$ 152.7                        |

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

- proceeds of approximately \$145.1 million from our Convertible Senior Notes offering (net of offering expenses of \$4.9 million) which closed on April 15, 2008 (\$14.6 million of which was from Convertible Senior Notes sold under the over-allotment option which closed on May 8, 2008). Of this amount, approximately \$25.5 million is held in an escrow account which may be used for making the first six semi-annual interest payments on the Convertible Senior Notes and \$50.0 million was used to repay the outstanding amounts under our revolving credit agreement (which we expect to re-borrow later in 2008);
- cash on hand (\$25.6 million at June 30, 2008);
- cash in our escrow account (\$104.0 million at June 30, 2008), which will be used periodically to pay down our obligation to Thales Alenia Space; and
- deferral of payments on second-generation satellite launch related costs.

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Our principal long-term liquidity needs are:

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

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

Our liquidity and our ability to fund these needs will depend 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 us and trends in our industry and technology discussed elsewhere in this Report. In addition to these general and economic and industry factors, the principal factors affecting our cash flows will be our ability to continue to provide attractive and competitive services and products, successfully manage our two-way communication issues until we can deploy our second-generation satellite constellation, increase our number of subscribers and retail average revenue per unit, control our costs, and maintain our margins and profitability. If those factors change significantly or other unexpected factors adversely affect us, our business may not generate sufficient cash flow from operations and future financings may not be available on terms acceptable to us or at all to meet our liquidity needs. In assessing our liquidity, our management reviews and analyzes our current cash on-hand, the average number of days our accounts receivable are outstanding, the contractual rates that we have established with our vendors, inventory turns, foreign exchange rates, capital expenditure commitments and income tax rates.

### ***Net Cash from Operating Activities***

Net cash used by operating activities for the six months ended June 30, 2008 decreased to a cash outflow of \$14.5 million from a cash outflow of \$16.5 million for the six months ended June 30, 2007. This decrease was due primarily to lower inventory purchases offset partially by lower collections on account balances during the six months ended June 30, 2008 compared to the six months ended June 30, 2007.

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

Cash used in investing activities was \$184.1 million for the six months ended June 30, 2008, compared to \$74.4 million for the same period in 2007. This increase was the result of higher capital expenditures associated with construction expenses for our second-generation satellite constellation.

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

Net cash provided by financing activities increased by approximately \$137.2 million to \$195.5 million from \$58.2 million for the six months ended June 30, 2007. The increase was primarily the result of \$119.6 million of net proceeds of the sale of Convertible Notes and \$100.0 million of term loans borrowed from Thermo Funding under our credit agreement in the six months ended June 30, 2008, partially offset by repayment to Thermo Funding of our \$50.0 million revolving credit facility.

### ***Capital Expenditures***



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

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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 €667.7 million (approximately \$1,005.9 million at a weighted average conversion rate of €1.00 = \$1.5065 at June 30, 2008, including approximately €146.8 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940). We have made payments in the amount of approximately \$240.1 million in related costs through June 30, 2008. In addition, \$104.0 million is held in an escrow account that will be used for future payments on this contract. At our request, Thales Alenia Space has presented to us a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$10.6 million to \$21.2 million at €1.00 = \$1.5799). In 2007, we authorized the first two portions of the Thales four-part sequential plan with an additional cost of €4.1 million (\$6.5 million at €1.00 = \$1.5799). 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 €9.1 million (approximately \$13.4 million at a weighted average conversion rate of €1.00 = \$1.4734) consisting of €4.0 million for the Satellite Operations Control Centers, €3.1 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. We have made payments in the aggregate amount of approximately €5.0 million (approximately \$7.3 million) through June 30, 2008.

In September 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.1 million. As of June 30, 2008, we have made payments in the aggregate amount of approximately \$18.4 million associated with our launch services contract. The anticipated time period for the first four launches ranges from as early as the third quarter of 2009 through the end of 2010 and the optional launches are available from spring 2010 through the end of 2014. Prolonged delays due to postponements by us or our Launch Provider may result in adjustments to the payment schedule.

On May 14, 2008, we entered into a contract with Hughes under which Hughes will design, supply and implement the Radio Access Network (“RAN”) ground network equipment and software upgrades for installation at a number of our satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in our various next-generation devices. The total contract purchase price of approximately \$100.8 million is payable in various increments over a period of 40 months. We have the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. As of June 30, 2008, we have made payments in the aggregate amount of approximately \$3.9 million associated with this contract.

The total cost for the satellites, launches and the satellite ground stations under these contracts with Thales Alenia Space, our Launch Provider and Hughes are included in the estimated \$1.26 billion (which is exclusive of internal costs and capitalized interest and the majority of which is denominated in Euros) of capital expenditures which we currently anticipate will be required to procure and deploy our second-generation satellite constellation and related gateway upgrades. Since the fourth quarter of 2006, we have used portions of the proceeds from sales of Common Stock to Thermo Funding under the irrevocable standby stock purchase agreement, the proceeds from our initial public offering and borrowings under our credit agreement to fund the approximately \$401.2 million (excluding internal costs and capitalized interest but including \$104.0 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 June 30, 2008. We expect to fund the balance of the capital expenditures through cash generated by our duplex voice and data services, new SPOT satellite messenger product and services and other Simplex devices and services, proceeds from our Convertible Senior Notes Offering which closed on April 15, 2008, future debt financings, deferral of payments to certain of our vendors and additional equity financings or a combination of these potential sources. The extent of our need for external capital, which we expect to be substantial, will vary depending on the success of our SPOT satellite messenger product and services and other commercial factors. This funding may not be available to us on acceptable terms, or at all.

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

| Contract   | Currency of Payment | Payments through June 30, 2008 | Estimated Future Payments |         |          |            | Total    |
|--|---------------------|--------------------------------|---------------------------|---------|----------|------------|----------|
|  |                     |                                | 2008                      | 2009    | 2010     | Thereafter |          |
| Thales Alenia Second Generation Constellation      | EUR                 | € 182.6                        | € 70.2                    | € 94.9  | € 92.3   | € 227.7    | € 667.7  |
| Thales Alenia Satellite Operations Control Centers | EUR                 | € 5.0                          | € 3.2                     | € 0.9   | € 0.0    | € 0.0      | € 9.1    |
| Arianespace Launch Services                        | USD                 | \$ 18.4                        | \$ 8.0                    | \$ 72.2 | \$ 111.5 | \$ 0.0     | \$ 210.1 |
| Hughes second-generation ground segment            | USD                 | \$ 3.9                         | \$ 4.2                    | \$ 17.0 | \$ 60.1  | \$ 15.6    | \$ 100.8 |

The exchange rate on June 30, 2008 was €1.00 = \$1.5799. See “Item 3 - Quantitative and Qualitative Disclosures About Market Risk.”

**Cash Position and Indebtedness**



As of June 30, 2008, our total cash and cash equivalents were \$25.6 million and we had total indebtedness of \$250.0 million (with \$50.0 million available under the revolving credit facility), compared to total cash and cash equivalents and total indebtedness at December 31, 2007 of \$37.6 million and \$50.0 million, respectively.

### **Convertible Debt**

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

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

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

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

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

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

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

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applicable amount of shares of Common Stock or cash in lieu of all or a portion of the shares, holders of Notes who convert their Notes prior to April 1, 2011 will receive the cash proceeds from the sale by the Escrow Agent of the portion of the government securities in the escrow account that are remaining with respect to any of the first six interest payments that have not been made on the Notes being converted.

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

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

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

Concurrently with the offering of the Notes, on April 10, 2008, we entered into a share lending agreement (the “Share Lending Agreement”) with Merrill Lynch International (the “Borrower”), through Merrill Lynch, Pierce, Fenner & Smith Incorporated, as agent for Borrower (in such capacity, the “Borrowing Agent”), pursuant to which we agreed to lend up to 36,144,570 shares of Common Stock (the “Borrowed Shares”) to the Borrower, subject to certain adjustments set forth in the Share Lending Agreement, for a period ending on the earliest of (i) the date we notify the Borrower in writing of its intention to terminate the Share Lending Agreement at any time after the entire principal amount of the Notes ceases to be outstanding and we have settled all payments or deliveries in respect of the Notes (as the settlement may be extended pursuant to market disruption events or otherwise pursuant to the Indenture), whether as a result of conversion, redemption, repurchase, cancellation, at maturity or otherwise, (ii) our written agreement with the Borrower to terminate, (iii) the occurrence of a Borrower default, at our option, and (iv) the occurrence of our default, at the option of the Borrower. Pursuant to the Share Lending Agreement, upon the termination of the share loan, the Borrower must return the Borrowed Shares to us. The only exception would be that, if pursuant to a merger, recapitalization or reorganization, the Borrowed Shares were exchanged for or converted into cash, securities or other property (“Reference

Property”), the Borrower would return the Reference Property. Upon the conversion of Notes (in whole or in part), a number of Borrowed Shares proportional to the conversion rate for such notes must be returned to us. In no event will the Borrower retain the Borrowed Shares.

On April 10, 2008, we entered into an underwriting agreement (the “Equity Underwriting Agreement”) with the Borrower and the Borrowing Agent. Pursuant to and upon the terms of the Share Lending Agreement, we will issue and lend the Borrowed Shares to the Borrower as a share loan. The Borrowing Agent also is acting as an underwriter (the “Equity Underwriter”) with respect to the Borrowed Shares, which are being offered to the public. The Borrowed Shares include 21,936,020 shares of Common Stock initially loaned by us to the Borrower pursuant to Section 2(a) of the Underwriting Agreement, 5,000,000 shares of Common Stock loaned by us to the Borrower pursuant to a Borrowing Notice dated as of April 15, 2008 delivered pursuant to the Share Lending Agreement and the Underwriting Agreement, and an additional 9,208,550 shares of Common Stock that, from time to time, may be borrowed from us by the Borrower pursuant to the Share Lending Agreement and the Underwriting Agreement and subsequently offered and sold at prevailing market prices at the time of sale or negotiated prices. The sale of the Borrowed Shares was registered under the S-3(33-149798). We used two prospectus supplements for the transaction, one for the sale of the convertible notes (and the underlying common stock) and the other for the sale of the Borrowed Shares. We filed the prospectus supplement for the sale of the Borrowed Shares pursuant to Rule 424(b) (3) on April 2, 2008 and pursuant to Rule 424(b) (5) on April 14, 2008.

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

The shares that we loaned to the Borrower will be issued and outstanding for corporate law purposes, and accordingly, the holders of the Borrowed Shares will have all of the rights of a holder of our outstanding shares, including the right to vote the shares

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on all matters submitted to a vote of our stockholders and the right to receive any dividends or other distributions that we may pay or makes on its outstanding shares of Common Stock. However, under the Share Lending Agreement, the Borrower has agreed:

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

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

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

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

## **Credit Agreement**

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

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

All loans will mature on December 31, 2012. Revolving credit loans bear interest at LIBOR plus 4.25% to 4.75% or the greater of the prime rate or the Federal Funds rate plus 3.25% to 3.75%. We had borrowings of \$150.0 million under the revolving credit facility at June 30, 2008. The delayed draw term loan bears interest at either 5% plus the greater of the prime rate and the Federal Funds rate plus 0.5%, or LIBOR plus 6%. The delayed draw term loan

facility bears an annual commitment fee of 2.0% until drawn or terminated. The revolving credit loan facility bears an annual commitment fee of 0.5% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. The loans may be prepaid without penalty at any time.

To hedge a portion of the interest rate risk with respect to the delayed draw term loans, we entered into a five-year interest rate swap agreement. See “Note 12: Derivatives” of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report. Upon the assumption of the credit agreement by Thermo Funding, the interest rate swap agreement was amended to require us to provide collateral in cash and securities equal to the negative value of the interest rate swap. At June 30, 2008, the negative value of the interest rate swap was approximately \$5.7 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

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below up to 12,371,136 shares of our Common Stock at a price per share of approximately \$16.17 (approximately \$200.0 million in the aggregate), without regard to any future increase or decrease in the trading price of our Common Stock. Thermo Funding’s obligation to purchase these shares was secured by the escrow of cash and marketable securities in an amount equal to 105% of its unfunded commitment. Thermo Funding completed its purchase of all shares subject to the agreement on November 2, 2007. All requirements were fulfilled by Thermo Funding by November 2007. As required by the pre-emptive rights provisions contained in our former certificate of incorporation, we intend to offer our stockholders as of June 15, 2006 who are accredited investors (as defined under the Securities Act of 1933) and who received 36 or more shares of our Common Stock as a result of the Old Globalstar bankruptcy, the opportunity to purchase shares of our Common Stock on substantially the same terms as Thermo Funding. These stockholders, excluding stockholders who have waived their pre-emptive rights, will be entitled to purchase, and upon entering into a commitment may elect to purchase at any time thereafter, up to 785,328 additional shares of our Common Stock at approximately \$16.17 per share in the pre-emptive rights offering.

### ***Contractual Obligations and Commitments***

At June 30, 2008, we have a remaining commitment to purchase a total of \$52.7 million of mobile phones, services and other equipment under various commercial agreements with QUALCOMM. We believe the long-term equipment contract with QUALCOMM is necessary to obtain the best possible pricing for the development and purchase of our second-generation of handsets and accessories. We expect to fund this remaining commitment from our working capital, funds generated by our operations, proceeds from our convertible notes offering which closed on April 15, 2008 and, if necessary, additional capital from the issuance of equity or debt.

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

In November 2006, we and Thales Alenia Space entered into a definitive contract pursuant to which Thales Alenia Space will construct 48 low-earth-orbit satellites in two batches (the first of 25, including a proto-flight model satellite, and the second of 23) for our second-generation satellite constellation. Under the contract, Thales Alenia Space also will provide launch support services and mission operations support services. We have contracted separately with our Launch Provider for launch services and will do so for launch insurance for the satellites. In March 2007, we entered into an agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the “Control Network Facility”) for our second-generation satellite constellation. This agreement complements the second-generation satellite construction contract with Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. In September 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each.

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

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### **Off-Balance Sheet Transactions**

We have no material off-balance sheet transactions.

### **Recently Issued Accounting Pronouncements**

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

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our services and products are sold, distributed or available in over 120 countries. Our international sales are made primarily in U.S. dollars, Canadian dollars and Euros. In some cases insufficient supplies of U.S. currency may require us to accept payment in other foreign currencies. We reduce our currency exchange risk from revenues in currencies other than the U.S. dollar by requiring payment in U.S. dollars whenever possible and purchasing foreign currencies on the spot market when rates are favorable. We currently do not purchase hedging instruments to hedge foreign currencies. However, our credit agreement requires us to do so on terms reasonably acceptable to the administrative agent not later than 90 days after the end of any quarter in which more than 25% of our revenue is originally denominated in a single currency other than U.S. or Canadian dollars.

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

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

Our exposure to fluctuations in currency exchange rates has increased significantly as a result of contracts for the construction of our second-generation constellation satellite and the related control network facility, which are primarily payable in Euros. A 1.0% decline in the relative value of the U.S. dollar, on the remaining balance related to these contracts of approximately €489.3 million on June 30, 2008, would result in \$7.7 million of additional payments. See “Note 4: Property and Equipment” of the Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report.

### Item 4. Controls and Procedures

#### (a) Evaluation of disclosure controls and procedures.

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 as of June 30, 2008, the end of the period covered by this Report. The evaluation included certain internal control areas in which we have made and are continuing to make changes to improve and enhance controls. This evaluation was based on the guidelines established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Based on this evaluation, our chief executive officer and chief financial officer concluded that as of June 30, 2008 our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management,

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including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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

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

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

## PART II: OTHER INFORMATION

### Item 1. Legal Proceedings

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

### Item 1A. Risk Factors

You should carefully consider the risks described in this Report and all of the other reports that we file from time to time with the Securities and Exchange Commission (“SEC”), in evaluating and understanding us and our business. Additional risks not presently known or that we currently deem immaterial may also impact our business operations and the risks identified in this Report may adversely affect our business in ways we do not currently anticipate. Our financial condition or results of operations also could be materially adversely affected by any of these risks. We do not believe there have

been any material changes to the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007. We advise you to review that report, which we filed on March 17, 2008.

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

In connection with our Annual Meeting of Stockholders held on May 13, 2008, our Board of Directors solicited proxies pursuant to Regulation 14A under the Securities Exchange Act of 1934. The following votes (representing 84.64% of the shares eligible to vote) were cast at that meeting:

##### 1. Election of Class B Directors

|                  | VOTES      |          |
|------------------|------------|----------|
|                  | For        | Withheld |
| Kenneth E. Jones | 72,013,278 | 99,158   |
| James F. Lynch   | 71,195,413 | 917,023  |

##### 2. Approval of the Amended and Restated Globalstar, Inc. 2006 Equity Incentive Plan

|                                   | VOTES      |           |         |                  |
|-----------------------------------|------------|-----------|---------|------------------|
|                                   | For        | Against   | Abstain | Broker Non-Votes |
| Approve Amended and Restated Plan | 68,252,302 | 1,266,419 | 141,220 | 2,452,495        |

##### 3. Ratify appointment of Crowe Chizek and Company LLP as our independent auditors

|                                     | VOTES      |         |         |
|-------------------------------------|------------|---------|---------|
|                                     | For        | Against | Abstain |
| Ratify Crowe Chizek and Company LLP | 71,990,617 | 98,818  | 23,001  |

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#### Item 6. Exhibits

| Number | Description  |
|--------|--|
| 10.1†  | Contract between Globalstar, Inc. and Hughes Network Systems, LLC for Radio Access Network (RAN) and User Terminal Subsystem |
| 10.3   | Letter Agreement between Globalstar, Inc. and Thomas M. Colby dated May 1, 2008  |
| 31.1   | Section 302 Certification of the Chief Executive Officer   |
| 31.2   | Section 302 Certification of the Chief Financial Officer   |
| 32.1   | Section 906 Certifications   |

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

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#### SIGNATURES

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

GLOBALSTAR, INC.

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

Date: August 11, 2008

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

Date: August 11, 2008

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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.



H37813

**CONTRACT**  
**BETWEEN**  
**GLOBALSTAR, INC.**  
**AND**  
**HUGHES NETWORK SYSTEMS, LLC**  
**FOR**  
**RADIO ACCESS NETWORK (RAN)**  
**AND USER TERMINAL SUBSYSTEM**  
  
**CONTRACT NUMBER GINC-C-08-0390**

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**Contract for Radio Access Network (RAN) and User Terminal Subsystem  
H37813 (3/08)**

This is a Contract between Hughes Network Systems LLC, a limited liability company organized under the laws of Delaware (hereinafter referred to as the “Contractor”) with its principal place of business at 11717 Exploration Lane Germantown, Maryland 20876 USA, and Globalstar, Inc., a company incorporated under the laws of Delaware with its principal place of business at 461 South Milpitas Boulevard, Milpitas, California 95035 (hereinafter referred to as “Globalstar” or “Customer”). As used herein, Contractor and Globalstar may each be referred to individually as a “Party” and collectively as the “Parties”.

The effective date of this Contract (“EDC”) is 1 May 2008.

**Article 1. Scope of Work**

- A. The Contractor shall deliver the Radio Access Network (RAN) and the User Terminal Subsystem comprised of the Satellite Air Interface Chip and the Remote Terminal Diagnostic Monitor in accordance with all the requirements of this Contract, including Exhibit A hereto, entitled **Statement of Work**, Exhibit B1 hereto, entitled **System Technical Specification**, Exhibit B2 hereto, entitled **Gateway Technical Specification**, Exhibit B3 hereto, entitled **User Terminal (UT) Subsystem Technical Specification**, Exhibit C entitled **Pricing Schedule and Payment Plan**, Exhibit D entitled **Hardware Warranty and Software Maintenance Services** and the Contract Articles of this document. (Exhibits B1, B2 and B3 are collectively referred to herein as “Exhibit B, **Technical Specifications**”).
- B. The Contract, including all Exhibits hereto, sets out the requirements to be performed by Contractor to implement the RAN and UT Subsystem, hereinafter referred to as “the Work”.

**Article 2. Delivery by Contractor**

- A. The items to be delivered by Contractor pursuant to this Contract shall be as described in Exhibit A hereto, entitled Statement of Work, according to INCOTERMS 2000, Ex Works Contractor’s facilities at Germantown, Maryland, USA.
- B. The delivery location shall be as defined in Exhibit A hereto, entitled Statement of Work and all deliverable items shall be delivered in accordance with Article 3 hereto, entitled Performance Schedule in accordance with Exhibit A hereto, entitled Statement of Work and Exhibit B hereto, entitled Technical Specifications.
- C. Any change to the delivery locations specified in Exhibit A hereto, entitled Statement of Work and Exhibit B hereto, entitled Technical Specifications shall constitute a contract change in accordance with Article 25 hereto, entitled Changes.

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**Contract for Radio Access Network (RAN) and User Terminal Subsystem  
H37813 (3/08)****Article 3. Performance Schedule**

The Work, as defined in Article 1 hereto, entitled Scope of Work and as set out in Exhibit A hereto, entitled Statement of Work shall be performed in accordance with the schedule detailed in Exhibit A hereto, entitled Statement of Work and Exhibit B hereto, entitled Technical Specifications. Such schedule shall be adjusted on an equitable basis in respect of any delays attributable to any events of excusable delay referenced in Article 20 of this Contract or delays by Globalstar in acting or performing as required under this Contract including any delay or failure to furnish the required equipment or property pursuant to Article 15 of this Contract or any delay by Globalstar in making the non-Contractor provided elements of the Globalstar System (as defined in Article 11), including the satellites, available for testing as required by this Contract.

**Article 4. Price**

The total Contract Value shall be a firm fixed-price One Hundred Million Eight Hundred Eleven Thousand Two Hundred Twenty (\$100,811,220) United States Dollars for the Work which may be amended from time to time in accordance with this Contract. The pricing details and payment plan are set forth in Exhibit C hereto, entitled Pricing Schedule and Payment Plan.

**Article 5. Inspection and Acceptance**

- A. All deliverable items specified in Paragraph A of Article 2 hereof, entitled Delivery by Contractor, and Contractor's entitlement to the price specified in Article 4 hereof, entitled Price, shall be subject to inspection and acceptance of such items by Globalstar in accordance with this Article 5 and the relevant sections of Exhibit A, entitled Statement of Work.
- B. Inspection and acceptance testing shall be in accordance with the procedures and requirements specified in Exhibit A hereto, entitled Statement of Work and Exhibit B hereto, entitled Technical Specifications. If the Work fails to pass the relevant acceptance test Contractor shall reperform the Work or repair or replace any deliverable item as is necessary to correct the problem at which time the relevant acceptance test shall be repeated. The foregoing process shall be repeated as necessary until the relevant acceptance test has been successfully completed in accordance with Section 6 of Exhibit A hereto, entitled Statement of Work. Upon completion of the relevant acceptance test Contractor shall provide Globalstar with a written acceptance test report in accordance with Section 6 of Exhibit A hereto, entitled Statement of Work. Globalstar shall notify Contractor of its acceptance or rejection of the relevant Work within fifteen (15) working days after delivery or, if applicable, upon completion of the relevant acceptance test report. In the event that no such notice is received by Contractor from Globalstar within said fifteen (15) working day period, such Work shall be deemed to be accepted by Globalstar.

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**Contract for Radio Access Network (RAN) and User Terminal Subsystem  
H37813 (3/08)**

- C. Provisional Acceptance of RAN. Provisional Acceptance shall occur upon successful completion of SySAT testing in accordance with Section 6.5 of Exhibit A hereto, entitled Statement of Work. Provisional Acceptance shall be deemed to occur if either (i) no confirmation that SySAT testing is successfully completed is received by Contractor from Globalstar within fifteen (15) working days of receipt by Globalstar of the test report or (ii) at any time prior to the completion of SYSAT testing Globalstar puts the relevant deliverables into commercial service.
- D. Final Acceptance of RAN. Promptly after Provisional Acceptance, the Contractor and Globalstar shall mutually generate and agree to a punch list of items required to fix any faults or bugs which would prevent the RAN from entering commercial service. Globalstar may add RAN related punch list items during its own pre-commercial service system testing commencing after SySAT upon mutual agreement with Contractor. The Contractor shall then work to close out and document all such punch list items as expeditiously as possible. Once such punch list items are resolved and documented, Globalstar shall review and either accept or comment on these punch list items within fifteen (15) working days. Final Acceptance shall occur upon confirmation by Globalstar of closure of all punch list items. Final Acceptance shall be deemed to occur if either (i) no rejection or confirmation is received by Contractor from Globalstar within said fifteen (15) working day period or (ii) Globalstar puts the relevant deliverables into commercial service. Faults or bugs that do not rise to the level of punch list items shall be promptly resolved by Contractor pursuant to the warranty provisions of this Contract.
- E. Provisional Acceptance of User Terminal Subsystem. Provisional Acceptance shall occur upon successful completion of User Subsystem Acceptance testing in accordance with Section 6.6.2 of Exhibit A hereto, entitled Statement of Work. Provisional Acceptance shall be deemed to occur if either (i) no confirmation that User Subsystem Acceptance testing is successfully completed is received by Contractor from Globalstar within fifteen (15) working days of receipt by Globalstar of the test report or (ii) at any time prior to the completion of User Subsystem Acceptance testing Globalstar puts the relevant deliverables into commercial service.

- F. Final Acceptance of User Terminal Subsystem. Promptly after Provisional Acceptance, the Contractor and Globalstar shall mutually generate and agree to a punch list of items required to fix any faults or bugs which would prevent the Satellite Air Interface Chip from being released into production. Additionally the Contractor and Globalstar shall mutually generate and agree to a punch list of items required to fix any faults or bugs which would prevent the RTDM from being usable by Globalstar. The Contractor shall then work to close out and document all such punch list items as expeditiously as possible. Once such punch list items are resolved and documented, Globalstar shall review and either accept or comment on these punch list items within fifteen (15) working days. Final Acceptance shall occur upon confirmation by Globalstar of closure of all punch list items. Final Acceptance shall be deemed to occur if either (i) no rejection or confirmation is received by Contractor from Globalstar within said fifteen (15) working day period or (ii) Globalstar puts the relevant deliverables into commercial service. Faults or bugs that do not rise to the level of punch list items shall be promptly resolved by Contractor pursuant to the warranty provisions of this Contract.

**Article 6. Taxes and Duties**

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

**Article 7. Payment Terms**

- A. The price referred to in Article 4 hereof, entitled Price, shall be paid by Globalstar in accordance with Exhibit C hereto, entitled Pricing Schedule and Payment Plan, and with the terms of this Article.
- B. With respect to each amount specified in Exhibit C hereto entitled Pricing Schedule and Payment Plan, Contractor shall submit an invoice to Globalstar when the relevant milestone has been completed. Each invoice shall contain or be accompanied by a written certification from Contractor that the milestone event has been completed.
- C. Globalstar shall pay each amount within thirty (30) days after Globalstar receives the invoice and certification referred to in paragraph B of this Article 7 provided, however, that if Globalstar reasonably concludes that the requirements for such milestone event (as set forth herein) have not been fulfilled, then Globalstar shall so notify Contractor in writing, including a description of Globalstar's basis for asserting that the milestone event has not been fulfilled. In such event the

HUGHES AND GLOBALSTAR CONFIDENTIAL AND PROPRIETARY

applicable payment shall not be made until within thirty (30) days after Globalstar has determined that the requirements for such milestone event have been fulfilled.

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

[\*]

- D. All invoices shall be submitted by email to [\*] with email copy to Globalstar employees to be identified at a later date.
- E. Any payment due from Globalstar shall be deemed to have been paid when the funds are disbursed from Globalstar's bank into Contractor's bank account referenced above. If any payment is due on any day that is not a business day, such payment shall be due on the succeeding business day. A late payment charge, at an annual rate of [\*], will be applied to any payment not received by the due date thereof.
- F. Invoicing by Contractor and payment for an early completion of a milestone is subject to Globalstar's prior written approval.

**Article 8. Contractor Deliverables, Title and Assumption of Risk**

- A. Title to all deliverable items specified in Paragraph A of Article 2 hereof, entitled Delivery by Contractor, shall pass to Globalstar upon delivery Ex Works. The Contractor warrants to Globalstar that it has and will deliver good title to all such deliverable items, free from any claim, lien, pledge, mortgage, security interest, or other encumbrances, including, but not by way of limitation, those arising out of the performance of the Work.
- B. With respect to each such deliverable item, the risk of loss or damage shall be borne by Contractor up to the time of delivery into Globalstar's custody pursuant to Article 2 hereof, entitled Delivery by Contractor. After such delivery, Globalstar shall bear the risk of loss or damage, save for any loss or damage caused by Contractor or any of its subcontractors.
- C. Notwithstanding the passing of title or documents and reports, Globalstar's rights to use the information contained therein shall be subject to Article 11 hereof, entitled Intellectual Property Rights.

HUGHES AND GLOBALSTAR CONFIDENTIAL AND PROPRIETARY

**Article 9. Warranty and Support**

- A. Notwithstanding any prior inspection or acceptance by Globalstar, Contractor warrants that:
- (1) All deliverable equipment specified in Paragraph A of Article 2 hereof, entitled Delivery by Contractor, shall be in new or like new condition when first delivered to Globalstar and free from any defects in materials, workmanship and design;
  - (2) All services shall be performed in a skillful and workmanlike manner consistent with the best practices of the industry; and
  - (3) Deliverable items, including hardware, software, firmware, services and documentation shall conform to the requirements specified in this Contract, including Exhibit A entitled Statement of Work and Exhibit B entitled Technical Specifications.
- B. Exhibit D hereto contains a detailed SOW with regard to the hardware warranty and software maintenance services. The hardware warranty and software maintenance services obligations provided herein shall run, unless extended in accordance with Article 30 hereof, for the relevant periods specified in Section 10 of Exhibit A hereto entitled Statement of Work.
- C. In the event of defective or non-conforming Work, whether equipment, services, software, reports or otherwise, Globalstar shall notify Contractor in writing that the Work is non-conforming. Such notice may be given after commencement of the warranty period specified below. In either case, the notice shall identify those particulars in which the Work fails to conform. Globalstar shall have the following remedies:
- (1) Globalstar may require Contractor to correct or replace the defective or non-conforming Work at Contractor's expense. The decision whether the non-conforming Work is to be corrected or replaced shall be at Contractor's option. If Contractor does not correct or replace the Work within a reasonable period after notification from Globalstar, or if Contractor fails to do so effectively, Globalstar may have the correction or replacement undertaken by a third party, in which case Contractor shall reimburse Globalstar for all direct reprourement costs reasonably and actually incurred by Globalstar.
  - (2) Globalstar may elect not to have the defective or non-conforming Work corrected or replaced, in which case the Parties shall in good faith negotiate an equitable reduction in the price and, to the extent Globalstar has already made payments in excess of the reduced price, Contractor shall promptly refund that amount.

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

In the event an on-site intervention is needed (e.g., fault cannot be located remotely by the Contractor or failure of a non-replaceable unit), the Contractor shall upon request provide on-site support at Globalstar's additional cost in accordance with the time and

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materials pricing set forth in Exhibit C hereto entitled Pricing Schedule and Payment Plan.

- D. Any corrections or replacements made pursuant to this Article 9 shall be subject to Article 8 hereof, entitled Contractor Deliverables, Title and Assumption of Risk. With respect to any component that is corrected or replaced, the warranty period specified in this Article shall be suspended from the date of notification of the defect by Globalstar and shall recommence upon the date of satisfactory completion of the correction or replacement for the unexpired portion of the warranty period. Where such correction or replacement renders the Work or any part thereof non-functional, the warranty period shall be similarly extended for the Work or any part thereof. Notwithstanding the foregoing, any component that is corrected or replaced shall have a warranty period that is the greater of three (3) months or the unexpired portion of the warranty period.
- E. The rights and remedies of Globalstar provided in this Article 9 shall be in addition to, and without prejudice to, or forfeiture of, any other rights and remedies Globalstar may have under this Contract (including, but not limited, to any warranty and maintenance plan) or at law or equity.
- F. Except as specifically set forth in this Contract, Contractor neither makes nor assumes any liability under any warranties (whether express, implied, or statutory) on or with respect to Contractor deliverables and services to be provided under this Contract, including, without limitation, any implied conditions or warranties of merchantability or fitness for a particular purpose.
- G. Notwithstanding the foregoing, Contractor shall not be obligated to provide the warranty services set forth herein if Globalstar has not satisfied all payment obligations due and outstanding as of the date of any claim by Globalstar under the above warranty. If Globalstar has due but unpaid obligations, Contractor may, at its sole discretion and without liability to Contractor, in addition to demanding that Globalstar fulfill all payment obligations contained herein: (i) demand full payment for any repairs of Work covered by the warranty at Contractor's standard out-of-warranty rates; (ii) reject Work sent for repairs; or (iii) hold any Work sent for repairs until Globalstar fulfills all payment obligations contained herein. None of the foregoing options elected by Contractor shall result in an increase in the duration of the warranty period.

**Article 10. Access to Work in Progress**



- A. To the extent necessary to implement this Article, Contractor shall pass through the provisions hereof into all subcontracts with suppliers of critical path items.
- B. The Contractor shall provide for design and progress review meetings with Globalstar, and submit reports and documentation, in accordance with Exhibit A

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hereto, entitled Statement of Work and Exhibit B hereto, entitled Technical Specifications.

- C. Globalstar shall have the right, at all reasonable times during the performance of this Contract, to monitor the Work in progress at the plants of Contractor, provided that Globalstar gives reasonable notice to Contractor. Visits shall be on a non-interfering basis subject to Contractor's standard security and confidentiality procedures.

**Article 11. Intellectual Property Rights**

A. Definitions

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

- (1) "Contractor Background IP" means all IP owned or controlled by Contractor as of EDC, and all IP conceived or developed by Contractor after EDC (other than in performance under this Contract), which is incorporated in or necessary for the use (as provided for herein) of the deliverable items being provided pursuant to this Contract.
- (2) "Contractor Foreground IP" means all IP conceived or developed by or on behalf of Contractor arising from Contractor's performance under this Contract, which is incorporated in or necessary for the use of (as provided for herein) the deliverable items being provided pursuant to this Contract.
- (3) "Gateway System" means the Radio Access Network and other network deliverables (other than the Satellite Air Interface Chips) being developed and provided by Contractor pursuant to this Contract.
- (4) "Globalstar IP" means all IP owned or controlled by Globalstar identified, without limitation, as being "granted" as set forth in Exhibit E hereto entitled Globalstar Patent Portfolio, and all IP conceived and developed by Globalstar after EDC, the use of which is necessary for Contractor's performance under this Contract.
- (5) "Globalstar System" means the system including satellites, Gateway System, ground control network, network control centers and User Terminals operated by Globalstar to provide low earth orbit satellite based wireless telecommunication services worldwide.
- (6) "Intellectual Property" or "IP" means all information, data and technology (including all ideas, discoveries, inventions, methods, techniques and processes, designs, improvements and innovations, all specifications, requirements, software and other works of authorship (including documentation such as manuals, drawings and documents), and all know-how), whether or not patentable and whether or not reduced to practice, and all associated rights in and to any patents and patent applications, copyrights and trade secrets, and all other intellectual and industrial

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property rights and all forms of protection of any similar nature (including all such rights in software) which may subsist in any part of the world for the full term of such rights including any extension to the term of such rights.

- (7) "Joint IP" means all IP conceived and developed through material contributions by both Contractor and Globalstar in performance under this Contract.
  - (8) "User Terminal" means a mobile satellite terminal used for subscriber communication over the Globalstar satellite network.
  - (9) "Satellite Air Interface Chip(s)" means the chip(s) being developed by Contractor pursuant to this Contract that will make up the satellite baseband portion of the User Terminal.
- B. Ownership of Intellectual Property Rights
- (1) All Contractor Background IP shall remain the sole and exclusive property of Contractor.

- (2) All Globalstar IP shall remain and be the sole and exclusive property of Globalstar.
- (3) All Contractor Foreground IP shall be exclusively owned by Contractor.
- (4) All Joint IP shall be jointly owned by the Parties. Joint ownership shall mean each Party having an equal, undivided interest in and to the Joint IP, without any obligation of notice or accounting to the other Party.

C. License Rights

- (1) Grant by Contractor: Subject to fulfillment by Globalstar of its obligations under this Contract, Contractor hereby grants to Globalstar a worldwide, non-exclusive, perpetual, irrevocable, non-transferable, non-assignable, fully paid-up license to use, duplicate (technical data, software in executable form and documentation) and disclose: (i) the Contractor Background IP and the Contractor Foreground IP associated with the Gateway System solely for the purposes of the use, operation and maintenance of the Globalstar System and (ii) the Contractor Background IP and the Contractor Foreground IP associated with the Satellite Air Interface Chips solely for the purposes of the incorporation of the Satellite Air Interface Chips into User Terminals, and the manufacture, use, sale, offer for sale, importation, maintenance and support of User Terminals (provided such User Terminals include Satellite Air Interface Chips provided by or on behalf of Contractor pursuant to this Contract). The foregoing license rights include the right of Globalstar to sublicense to third parties and to contract with a third party for the purposes set forth in items (i) and (ii) above.
- (2) Grant by Globalstar: Globalstar hereby grants to Contractor a worldwide, non-exclusive, perpetual, irrevocable, non-transferrable, non-assignable,

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non-sublicensable, fully paid-up right and license to use and have used the Globalstar IP for the sole and exclusive purpose of performing under this Contract.

- (3) Satellite Air Interface Chip Software and Firmware License Option: If Globalstar exercises the Satellite Air Interface Chip Software and Firmware License Option referenced in Exhibit C, in consideration of the payment by Globalstar of the license fees referenced below and subject to Globalstar being not in breach of Contract, Contractor shall grant to Globalstar a worldwide, non-exclusive, perpetual, irrevocable (except in the event Globalstar fails to pay the license fees referenced below), non-transferable, non-assignable right and license to use the Satellite Air Interface Chip software and firmware and Interface Documentation developed by Contractor under this Contract on an "as is" basis solely for the purpose of incorporating such Satellite Air Interface Chip software and firmware in a third party designed and manufactured satellite air interface chip. For the purposes hereof "Interface Documentation" shall mean all documents necessary for incorporating the Satellite Air Interface Chip software and firmware in a third party designed and manufactured satellite air interface chip. Contractor and Globalstar shall enter into a separate mutually agreed license agreement in the event this option is exercised. Such license agreement shall be consistent with the terms of this Contract and shall include, without limitation, customary provisions relating to reporting, record keeping and audit rights. The applicable license fees are specified in Exhibit C. This license grant shall become revocable if Globalstar fails to pay the license fees as required under this Contract. For the avoidance of doubt,
  - (i) such license shall only relate to Satellite Air Interface Chip software or firmware or Interface Documentation developed by Contractor hereunder and shall not include any rights to any third party commercial off the shelf software or firmware such as any operating system employed in the Satellite Air Interface Chip (including, without limitation, VxWorks); and
  - (ii) the foregoing license rights include the right of Globalstar to sublicense to third parties and to contract with a third party solely for the purpose of incorporating the Satellite Air Interface Chip software and firmware in a third party designed and manufactured satellite air interface chip.

D. Escrow

- (1) Promptly upon Final Acceptance and subject to the Contractor having the rights to the source code, Contractor shall place copies of the source code for all software provided with or incorporated in the RAN and UT Subsystem ("Escrow Materials") with a third party escrow agent ("Escrow Agent"), subject to the terms and conditions of an escrow service agreement between Globalstar, Contractor and the Escrow Agent (the "Escrow Services Agreement") to be negotiated and entered into in good faith between Globalstar, Contractor and the Escrow Agent.
- (2) Release of the Escrow Materials to Globalstar shall be subject to the terms and conditions of the Escrow Services Agreement, and subject to the occurrence of

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certain agreed upon release conditions to be set forth therein (including the failure of Contractor to maintain and support the software pursuant to any maintenance and support obligations of Contractor under this Contract, the insolvency or bankruptcy of Contractor, or termination of this

- (3) In the event of the undisputed occurrence of one or more of the release conditions to be set forth in the Escrow Services Agreement, Globalstar is hereby granted a perpetual, irrevocable, worldwide, non-exclusive, non-transferrable, fully paid-up license to use the Escrow Materials and the associated Contractor Background IP and Contractor Foreground IP for the sole purposes of the continued maintenance and support of the Gateway System (including the right to contract with a third party for such purposes).
- (4) Globalstar may select the escrow agent of its choice, subject to the written approval of Contractor, which shall not be unreasonably withheld, and Globalstar shall be responsible for all fees of the Escrow Agent under the Escrow Services Agreement.

**Article 12. Restriction of Hazardous Substances (“ROHS”)**

- A. Deliverable Satellite Air Interface Chips shall comply with environmental standards required by Directive 2002/95/EC of the European Parliament and of the Council of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment (the “ROHS Directive”) including any amendments by Commission Decision, Joint Declaration of EU authorities and Directive 2003/108/EC of 8 December 2003 as well as any statute or statutory provision or subordinate legislation introduced or modified from time to time to implement such Directive into EU Member State Law.
- B. Contractor shall take all reasonable steps and exercise all due diligence needed to comply with the ROHS Directive, including without limitation, utilizing only ROHS-compliant subcontractors, auditing of subcontractors for compliance, establishing quality assurance processes and procedures for compliance, and maintaining proper documentation of compliance. At the earliest opportunity but in any case no later than shipment of the first Satellite Air Interface Chip, Contractor shall provide Globalstar with (a) Certificate of Compliance with the ROHS Directive; and (b) Material Composition Declarations from suppliers in accordance with Forms IPC-1752-1 v1.0 and IPC-1752-2 v1.0. Contractor shall keep records for traceability and compliance documentation purposes for at least five (5) years.
- C. Any Satellite Air Interface Chip that is determined to be noncompliant by proper EU national authorities is considered a defective product. Contractor shall immediately, at the sole option of Globalstar, either (i) give full refund to Globalstar of the purchase price of any defective product or (ii) at no charge to Globalstar repair or replace any defective product with a compliant product.

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- D. Contractor shall defend, indemnify, release and hold harmless Globalstar from any and all third party claims and resulting costs, demands, fines, liabilities, loss penalties, arising out of or as a result of a breach of this clause.
- E. Upon request, Contractor will furnish to Globalstar, as soon as reasonably practical but in any event within 15 business days of such request, any information and assistance as Globalstar, in its reasonable opinion, requires to comply with Globalstar’s obligations under the ROHS Directive, including without limitation, the following:
  - (a) information or evidence of compliance as may from time to time be required by any EU Member State Government relating to the Satellite Air Interface Chips;
  - (b) Product or component design; and
  - (c) EU audit requests of Buyer

**Article 13. Intellectual Property Rights Indemnity**

- A. This Article 13 shall apply solely with respect to all claims that the intellectual property rights of a third party are infringed by the manufacture, sale, offer for sale, or use of any item delivered by Contractor pursuant to this Contract. For the sake of clarity, this applies to claims that Contractor Background IP or Contractor Foreground IP infringes the intellectual property rights of a third party.
- B. The Contractor hereby indemnifies and agrees to defend, at its own expense, any claim against Globalstar and to pay any royalties and other costs associated with the settlement of such claim and any damages and costs awarded as a result of any legal proceedings based on such claim. This obligation shall be contingent upon Globalstar giving Contractor prompt written notice of such claim, all necessary authority to defend or settle the claim on its behalf and reasonable cooperation and assistance and such relevant information as is available to it.
- C. If, as a result of any claim to which this Article 13 applies, the manufacture or delivery of any item or service to be delivered or otherwise provided pursuant to this Contract is enjoined, or the sale or use of any item delivered under this Contract is enjoined after delivery, Contractor agrees to do the following in the order stated:
  - (1) To use reasonable efforts, to include where necessary the payment of commercial royalty, to negotiate a license or other agreement with the claimant to resolve the alleged infringement; or
  - (2) where applicable, to modify the item or substitute a suitable item so that the modified or substituted item is not subject to the injunction; or if (1) and (2) cannot be effected by Contractor’s reasonable and diligent efforts,
  - (3) repurchase enjoined items at their then current value of Globalstar’s audited accounts.

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- D. The Contractor agrees that the provisions of this Article 13 shall apply to any item modified by Contractor pursuant to this Article 13.C(2).
- E. Notwithstanding the above, Contractor will not be liable for any such indemnity and defense obligations for infringement claims arising from (i) Contractor's compliance with Globalstar's designs, requirements or specifications, where such designs, requirements or specifications form the basis for the infringement claim (as opposed to an infringement claim arising primarily from Contractor's chosen implementation), or (ii) use of any non-infringing item provided by Contractor in combination with products not supplied by Contractor, or (iii) the modification by Globalstar or a third party of any item provided by Contractor (excluding a modification made by or on behalf of Contractor), where the infringement claim would have been avoided but for such modification, or (iv) infringement of Intellectual Property Rights owned or controlled by Qualcomm, Inc. (such claims being collectively referred to herein as "Other Claims"). Globalstar will indemnify Contractor from any and all damages and costs (including settlement costs) finally awarded or agreed upon for infringement of any United States patent or copyright in any lawsuit resulting from Other Claims, and for reasonable expenses incurred by Contractor in defense of such lawsuit if Globalstar does not undertake the defense thereof.
- F. This indemnity is in lieu of any other liability, whether or not based on indemnity or warranty, express or implied, with respect to intellectual property claims.

**Article 14. Indemnification and Insurance**

- A. Contractor shall indemnify and hold harmless Globalstar, and its subsidiaries and affiliates, and its subcontractors (if any), their respective officers, employees, agents, servants and assignees, or any of them (collectively "Globalstar Indemnitees"), from any direct or indirect loss, damage, liability and expense (including reasonable attorneys fees), on account of loss or damage to property and injuries, including death, to all persons, including but not limited to employees or agents of Contractor, its subcontractors and the Globalstar Indemnitees, and to all other persons, arising from any occurrence caused by any negligent act or omission or willful misconduct of Contractor, the subcontractors or any of them.
  - (1) At Contractor's expense, Contractor shall defend any suits or other proceedings brought against the Globalstar Indemnitees on account thereof, and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against them, or any of them, in connection therewith.
  - (2) Contractor shall have the right to settle any claim or litigation against which it indemnifies hereunder. Further, the Globalstar Indemnitees shall provide to Contractor such reasonable cooperation and assistance as Contractor may request to perform its obligations hereunder.

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- B. Globalstar shall indemnify and hold harmless Contractor, and its subsidiaries and affiliates, its Subcontractors, their respective officers, employees, agents, servants and assignees, or any of them (collectively "Contractor Indemnitees"), from any direct or indirect loss, damage (including damage to property and injuries, including death), liability and expense (including reasonable attorneys fees) incurred by any third party (including employees or agents of Globalstar and Contractor Indemnitees) and arising from any occurrence caused by any negligent act or omission or willful misconduct of Globalstar, its officers, employees, agents, consultants, servants and assignees.
  - (1) In addition, Globalstar shall waive any claim against and shall indemnify and hold harmless Contractor Indemnitees from any direct or indirect loss, damage (including damage to property and injuries, including death), liability and expense incurred by any third party and arising from use, operation or performance of the deliverable items after Final Acceptance, including as a result of modification or improvements made by Globalstar.
  - (2) Globalstar shall, at Globalstar's expense, defend any suits brought against the Contractor Indemnitees referred to above and shall pay all expenses and satisfy all judgments which may be incurred by or rendered against them, or any of them, in connection therewith. Globalstar shall have the right to settle any claim or litigation against which it indemnifies hereunder. Further, the Contractor Indemnitees shall provide to Globalstar such reasonable cooperation and assistance as Globalstar may request to perform its obligations hereunder.
- C. Contractor shall, at its own expense, provide and maintain insurance which shall cover all Work in Process (including all Globalstar's property while in Contractor's custody) against physical loss or damage on an "all risks" property insurance basis, including coverage for the perils of flood or earthquake while in or about Contractor's and its subcontractors' premises, while at other premises which may be used or operated by Contractor for construction purposes.
  - (1) The amount of insurance shall be sufficient to cover the full replacement value of all Work. Upon request by Globalstar, Contractor will provide certificate of insurance to Globalstar. Additionally, Contractor will add Globalstar as an additional insured under the All Risks insurance as far as Globalstar's interests may appear.
  - (2) The insurance may be issued with deductibles, which are consistent with Contractor's current insurance policies. The amount of any loss up to the value of the deductible level, or not otherwise covered by the insurance, shall be borne by Contractor.

In addition, Contractor shall, at its own expense, provide and maintain a Commercial General Liability Insurance Policy ("CGL Policy") which shall cover property damage and injuries, including death, caused to third parties. Upon written request by Globalstar, Contractor will provide a certificate of insurance to Globalstar. Contractor shall use its reasonable best efforts to add Globalstar as additional insured under such CGL Policy.

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**Article 15. Globalstar-Furnished Property and Facilities**

- A. With respect to all equipment or other property furnished to Contractor by Globalstar pursuant to Exhibit A hereto, entitled Statement of Work and Exhibit B hereto, entitled Technical Specifications, the following terms and conditions shall apply:
- (1) The Contractor shall exercise all reasonable care to ensure that such property is suitable for the purpose intended in connection with the performance of the Work under this Contract. If Contractor is not so satisfied, it shall give Globalstar written notice to that effect as soon as possible.
  - (2) The Contractor shall ensure that such property is used solely in the performance of this Contract.
  - (3) Title to such property shall at all times remain with Globalstar, and Contractor shall ensure that no claim, lien, pledge, mortgage, security interest, or other encumbrance attaches to such property as a result of any act or omission of Contractor or its subcontractors.
  - (4) The Contractor shall return such property to Globalstar when it is no longer required in connection with the performance of any Work under this Contract, or in the event of termination of this Contract. The costs associated with returning the property shall be borne by Globalstar.
  - (5) The Contractor shall bear the risk of loss of or damage to such property from the time that it arrives on the premises of Contractor or any of its subcontractors and for so long as it remains in their custody, save for any loss or damage caused by Globalstar or its agents or representatives. When the property is returned to Globalstar pursuant to Paragraph A(4) of this Article 15, the risk of loss or damage while in transit shall be borne by Globalstar.
- B. With respect to any facilities provided by Globalstar or any of its other contractors pursuant to Exhibit A hereto, entitled Statement of Work and Exhibit B hereto, entitled Technical Specifications, whether for installation of the items to be delivered by Contractor under this Contract or for any other purpose, Contractor shall exercise all reasonable care to ensure that such facilities are suitable for the purpose intended.

**Article 16. Confidentiality**

- A. Each Party shall during the term of this Contract and for a period of five (5) years thereafter, keep secret and confidential all know-how or other business, technical or commercial information, in connection with this Contract disclosed to it by the

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other Party or otherwise belonging to the other Party (and shall ensure that any employees or subcontractors are similarly bound) and shall not disclose the same to any person save to the extent necessary to perform its obligations in accordance with the terms of this Contract. All such information shall be identified as confidential at the time it is so supplied or shall be such that should reasonably have been understood by the receiving Party (based on the circumstances of disclosure or the nature of the information itself) to be proprietary and confidential to the disclosing Party. For the sake of clarity, each Party shall have the right to use, duplicate and disclose, as permitted under this Article, the other Party's confidential information as required to fulfill the Party's requirements under this Contract, subject to the nondisclosure and use restrictions provided herein.

- B. Article 11 hereto, entitled Intellectual Property Rights shall take precedence over the provisions of this Article to the extent that there is any inconsistency.
- C. The foregoing provisions of this Article shall not apply to know-how and information which:
- (1) is or becomes public knowledge without breach of this Contract;
  - (2) is already known to the receiving Party at the time of its disclosure by the disclosing Party and was not otherwise acquired by the receiving Party from the disclosing Party under any obligations of confidence;
  - (3) is independently developed by Contractor or Globalstar, which fact can be shown by competent evidence; or
  - (4) Globalstar or Contractor is compelled by legal process or government regulation or order to disclose, provided that the disclosing Party is given prompt notice of any proposed release of information under this sub-clause and that the disclosing Party be given ample opportunity to engage in legal action to resist and/or restrict any such disclosure.

**Article 17. Public Release of Information**



- A. During the term of this Contract, neither Party, nor its affiliates, subcontractors, employees, agents and consultants, shall release items of publicity of any kind including, without limitation, news releases, articles, brochures, advertisements, prepared speeches, company reports or other information releases related to the Work performed hereunder, including the denial or confirmation thereof, without the other Party's prior written consent.
- B. Nothing contained herein shall be deemed to prohibit either Party from disclosing this Contract, in whole or in part, or information relating thereto (i) as may be required by the rules and regulations of a government agency with jurisdiction over the disclosing Party or a stock exchange on which the disclosing Party's shares are

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then listed, (ii) as may be required by a subpoena or other legal process (iii) in any action to enforce its rights under this Agreement, (iv) to its lenders under appropriate assurances of confidentiality for the benefit of the disclosing Party or (v) to its auditors, attorneys and other professional advisors in the ordinary course, provided that such auditors, attorney and advisors have contractual or professional obligations to maintain the confidentiality of the disclosed material. The disclosing Party shall use reasonable commercial efforts to disclose only such information as it believes in good faith it is legally required to disclose pursuant to clauses (i) or (ii), above, and will seek, to the extent reasonably available under applicable rules, to obtain confidential treatment for any information either Party reasonably considers trade secrets and that is required to be disclosed. To the extent practicable, the disclosing Party shall provide the other Party with a reasonable opportunity in advance of disclosure to request redactions or deletions of specific terms and provisions of the Contract and shall accommodate those requests to the extent reasonably consistent with applicable confidential treatment rules.

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

**Article 18. Termination for Cause**

- A. Either Party shall have the right to terminate this Contract, in whole or in part, by notice (the "Termination Notice") in writing to the other Party in the event that:
- (1) the other Party defaults in the performance of any of its material obligations hereunder and (in the case of a remediable breach) fails to make significant progress in resolving same within sixty (60) working days (the "Cure Period") of being requested by written notice (the "Default Notice") to do so; or
  - (2) the other Party becomes insolvent or the subject of proceedings under any law relating to bankruptcy or the relief of debtors or admits its inability to pay its debts as they become due.

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

In the event Globalstar terminates Contractor pursuant to this Article prior to completion of Preliminary Design Review, then, on demand from Globalstar, Contractor will refund all payments pertinent to the terminated Work made by Globalstar less any liquidated damages (if applicable) pertinent to the terminated Work paid by Contractor. Contractor shall make this refund within thirty (30) days of receipt of Globalstar's Termination Notice. Such refund shall be Globalstar's sole and exclusive remedy for such termination.

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Alternatively to the above paragraph or if such termination for cause occurs after completion of Preliminary Design Review, upon payment by Globalstar to Contractor of all amounts owing up to the date of the Termination Notice Globalstar may elect to take over the completion of the terminated work either itself or via a third party in which case Contractor shall be liable for any reasonable cover costs for such work. Under this scenario, Contractor shall promptly provide to Globalstar access and custody to the work in process, the applicable templates and other information related to Contractor Foreground IP and all the License Rights granted by Contractor under Article 11 hereof, entitled Intellectual Property Rights, necessary for Globalstar to proceed under this scenario. In addition, Contractor shall provide up to twelve (12) months of termination assistance to Globalstar or its designee at Globalstar's request and reasonable expense (not to exceed Contractor's time and materials rate specified in Exhibit C hereto).

- B. If Globalstar issues a Termination Notice to Contractor pursuant to this Article 18 and it is subsequently determined that Contractor was not in breach, the rights and obligations of the Parties shall be the same as if Globalstar had terminated for convenience pursuant to Article 19 hereof, entitled Termination for Convenience, unless the Parties mutually agree to reinstate the Contract.

**Article 19. Termination for Convenience/Stop Work Orders**

- A. Globalstar may terminate this Contract, in whole or in part, for Globalstar's convenience, at any time prior to completion, upon thirty (30) days written notice to the Contractor. In such case, Contractor shall immediately stop Work as directed in the termination notice and make its reasonable best efforts to mitigate costs.
- B. In the event of such termination by Globalstar, the termination charges shall be determined by good faith negotiations between Globalstar and Contractor or, if agreement cannot be reached, pursuant to Article 24 hereof, entitled Dispute Resolution. In making such determination, the following principles shall be applied:
- (1) The total termination charges shall not exceed the sum of:
    - (a) Direct and indirect costs (including overhead but excluding any profit element) reasonably incurred by Contractor in connection with the performance of the Work prior to termination, other than those costs referred to in Paragraph B(1)(c) of this Article 19. Such costs shall be determined [\*].
    - (b) A profit element representing [\*] of the costs in Paragraph B(1)(a), of this Article 19.
    - (c) Reasonable costs incurred by Contractor in settlement with subcontractors and suppliers as a result of Globalstar's termination. With respect to any proposed

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settlement involving an amount in excess of [\*], Contractor shall advise Globalstar, and shall not enter into any binding settlement until Globalstar has approved the proposal, or until thirty (30) days have elapsed from the date when such advice was furnished to Globalstar, whichever first occurs.

- C. The termination charges determined pursuant to Paragraph B of this Article 19 shall be reduced by the following:
- (1) Any amounts previously paid by Globalstar to Contractor with respect to the performance of the Work prior to termination. To the extent such amounts previously paid by Globalstar exceed the termination charges due, Contractor shall refund the difference to Globalstar.
  - (2) Amounts representing the resale, reuse, or salvage value to Contractor, or to its subcontractors and suppliers, of items that Globalstar has not taken possession of.
- D. In no event will the calculation of charges exceed the total Contract Value or conflict with the terms of this Contract with respect to adjustments.
- E. Title to items that Globalstar has taken possession of shall transfer to Globalstar after payment.
- F. Stop Work Orders
- (1) Globalstar may, at any time, upon reasonable prior written notice to Contractor ("the Stop Work Order"), direct Contractor to suspend performance of the Work for a maximum cumulative duration of six (6) months and with a maximum number of suspensions of two (2). Said Stop Work Order shall specify the date of suspension and the estimated duration of the suspension. Upon receiving any such Stop Work Order, Contractor shall promptly suspend further performance of the Work to the extent specified, and during the period of such suspension shall properly care for and protect all Work in Process and materials, supplies, and equipment Contractor has on hand for performance of the Work.
  - (2) Globalstar may, at any time during the stop Work, either (a) direct Contractor to resume performance of the Work by written notice to Contractor, and Contractor shall resume diligent performance of the Work, provided that (x) the Delivery Schedule is adjusted to reflect the stop Work and the time required by Contractor to recommence performance, (y) other affected provisions of the Contract shall be adjusted, and (z) Contractor is compensated for its Work stoppage costs as defined in Article 19F(3) below; or (b) terminate the Contract for convenience in accordance with the foregoing provisions of this Article 19 in which case the costs incurred by Contractor and its subcontractors as a result of the stop Work as defined below shall be added to the termination charges to be paid pursuant to the foregoing provisions of this Article 19.
  - (3) The Contract Value shall be equitably adjusted to compensate Contractor for actual costs reasonably incurred by Contractor or its subcontractors as a result of such

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suspension and resumption of Work plus a markup of [\*]. Contractor shall invoice Globalstar for such costs, and Globalstar shall pay such invoice within thirty (30) Days from the date of invoice. Invoices will not be issued more frequently than one (1) per month during a stop Work. If after a period of 6 months from receipt of a Stop Work Order, Globalstar does not direct Contractor to resume Work, Globalstar shall be deemed to have terminated the Contract for convenience under the foregoing provisions of this Article 19 and the applicable termination charges shall apply.

**Article 20. Excusable Delay**

Contractor will be excused for delays or interruptions in the provision of Work and shall have no liability as a result thereof when such delays or interruptions (i) are caused by Globalstar, or (ii) are otherwise beyond the reasonable control of Contractor, including but not limited to war (whether or not actually declared), sabotage, insurrection, rebellion, riot or other act of civil disobedience, act of a public enemy, failure of or delay in transportation, any governmental act, judicial action, labor dispute, shortage of labor, fuel raw material or machinery, fire, accident, explosion, epidemic, quarantine, storm, flood, earthquake, or other Acts of God ("Force Majeure"). The Parties specifically agree that rain, snow or other ordinary weather conditions (excluding tornadoes, hurricanes, and other major storms) do not constitute Force Majeure conditions. If any such contingency occurs, Contractor may allocate resources among Contractor' customers as it deems appropriate and the delivery requirements of this Agreement will be amended accordingly.

**Article 21. NOT USED.**

**Article 22. Governmental Authorizations**

A. Gateway Licenses

Globalstar shall be responsible for obtaining and complying with all national authorizations or licenses as may be required to introduce the RAN in its Gateways. This includes, but is not limited to, obtaining and maintaining any license, permits, and/or other authorizations of any kind required for installation, maintenance, testing, or operation of the Work, or any portion thereof, including services related thereto. Globalstar shall pay all costs of such licenses, permits and authorizations and all costs and expenses incurred in obtaining and maintaining them. Globalstar's obligation to pay Contractor shall not in any manner be waived by delay or failure to secure or renew, or by the cancellation of, any required licenses, permits or authorizations.

B. Export Control Regulations

- (1) It is expressly agreed that the execution of this Contract and the subsequent delivery of the Contractor deliverables will be subject to all applicable export controls imposed or administered by the U. S. Government including but not limited to the export of equipment, software and technical data (including services). The Parties

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shall comply with all applicable U.S. export control laws and regulations and with all applicable administrative acts of the U.S. Government pursuant to such laws and regulations.

- (2) Performance by Contractor under this Contract is subject to appropriate authorization by the U.S. Government as may be required, including receipt and continued effectiveness of any export privileges/licenses.
- (3) For work in the U.S. involving U.S. persons (defined as U.S. citizens and U.S. lawful permanent residents), export licenses or other export authorizations will not be required.
- (4) Contractor shall submit requests for commodity classifications for the RAN and UT Subsystem hardware, software, firmware, technical data and encryption algorithms as may be required under the Export Administration Regulations ("EAR") of the U.S. Department of Commerce, Bureau of Industry and Security ("BIS"). As applicable, Contractor shall submit requests for authorization to use license exceptions. Globalstar shall cooperate with Contractor to obtain such commodity classifications and authorizations, including providing Contractor with any required information in Globalstar's possession. Contractor agrees to provide copies of such requests and the formal determination (including, as applicable, identification of all Export Classification Control Numbers ("ECCNs") and all cases of No License Required ("NLR") and License Exception) of BIS to Globalstar. Once BIS has issued a formal determination, any use of such classifications and/or license exceptions by Globalstar shall be without recourse to Contractor, and shall be at Globalstar's own risk. Contractor assumes no liability for any damages whether direct, consequential, incidental, or otherwise, that may be suffered by Globalstar as a result of Globalstar's using or relying upon such classifications or license exceptions for any purpose whatsoever.
- (5) If any Contractor deliverable technical data or software contains export-controlled encryption algorithms or other export controlled technology, Contractor will so notify Globalstar by affixing a proper and prominent legend reflecting same on the medium containing such technical data or software (e.g., CD-ROM or document). Any such deliverable will be delivered by Contractor only directly to Globalstar, notwithstanding any other delivery requirements in this Contract.
- (6) To the extent a U.S. export license is required for RAN and UT Subsystem hardware, software, firmware, or technical data deliverables, Hughes will apply for the required U.S. export license and will export such deliverables in accordance with the export license as approved by BIS.
- (7) Globalstar agrees and acknowledges that Contractor will not supply either directly or indirectly through third party sales channels or otherwise, any equipment or services (i) to any Non-US military organization or intelligence organization; (ii) which will be used for any military or intelligence applications, whether pursuant to a dual civilian/military or intelligence application or otherwise; or (iii) which will otherwise

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be located on or used in support of any military or intelligence installation or base. Globalstar further agrees and acknowledges that such prohibition shall apply to any purchase and sale or resale of Contractor supplied goods (including third party goods), Contractor supplied information or Contractor equipment or services under this or any other agreement that Contractor may enter into with Globalstar in the future. Globalstar agrees to inform Contractor in the event that Globalstar becomes aware that the supply or delivery of Contractor equipment by Contractor, Globalstar or any third party would be in contravention of the aforementioned prohibition. In the event that Contractor has reason to believe that any of the foregoing prohibitions have not been fully complied with, Contractor may immediately terminate this Contract, or any other agreement or contract it has entered into with Globalstar without penalty or cost. Contractor shall additionally require a similar prohibition to be clearly set forth in any contract or agreement which the Parties may enter into now or in the future. Notwithstanding the foregoing, Globalstar is not prohibited from using Contractor supplied products, services, and data to provide telecommunication services (including telephone and internet access) to any of its users/end customers of any type.

- (8) Notwithstanding any other provision of this Contract, Globalstar shall not use, distribute, transfer or transmit any products, software or technical data (even if incorporated into other products) provided to it by Contractor under this Contract except in compliance with all applicable export laws and regulations. Globalstar shall not, directly or indirectly export or re-export the following items to any country without the appropriate export authorization, as specified in the applicable export laws: (a) software or technical data disclosed or provided to Globalstar by Contractor or (b) the direct product of such software or technical data. The obligations stated herein shall survive the expiration, cancellation or termination of this Contract or any other related agreement/contract.

**Article 23. Applicable Law**

This Contract shall be governed by and interpreted according to the laws of the state of New York, excluding the choice of laws rules thereof.

**Article 24. Dispute Resolution**

**A. Negotiation**

The Parties shall attempt to resolve any dispute, controversy or difference that may arise between them through good faith negotiations. In the event the Parties fail to reach resolution of such dispute within sixty (60) days of entering into negotiations, either Party may refer such dispute to arbitration pursuant to the provisions of Section B, below. Notwithstanding the foregoing, the Parties may elect to waive applicability of this section if:

- (1) Both Parties agree in writing that the nature of their dispute is such that it cannot be resolved through negotiations; or
- (2) if a Party shall suffer irrevocable harm by such delay.

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**B. Arbitration**

All disputes relating to this Contract shall be settled by arbitration administered by the American Arbitration Association (“AAA”) under its Commercial Arbitration Rules and the Supplementary Procedures for Large, Complex Disputes (“AAA Rules”) in effect at the time of arbitration. The arbitration shall be in accordance with the following guidelines except to the extent the Parties to arbitration shall agree otherwise:

- (1) The place of arbitration shall be Washington, D.C., U.S.A. To the extent the AAA Rules are not applicable, or are insufficient to fully resolve any dispute under this Contract, the arbitrator shall apply Maryland law to the extent necessary to resolve any dispute.
- (2) The arbitration shall be conducted by one arbitrator. If the Parties fail to mutually agree on an arbitrator within sixty (60) days of the commencement of the arbitration, any Party may refer such selection to the AAA.
- (3) The proceeding shall be conducted and transcribed in English. Any document submitted in a language other than English shall be accompanied by an English translation.
- (4) All testimony and evidence related to confidential information or trade secrets shall be safeguarded and maintained as confidential, with access to such evidence to be only on a need-to-know basis and subject to all reasonable precautions so as not to jeopardize the confidential information of any Party.
- (5) The Parties hereby accept jurisdiction of the arbitrator over the Parties and over the subject matter of the dispute.
- (6) The arbitration award shall be binding and any court having jurisdiction over the Parties or their assets may enforce judgment upon the arbitration award.
- (7) The arbitrator shall award the prevailing party its attorneys’ fees and costs, arbitration administrative fees, panel member fees and costs, and any other costs associated with the arbitration.

- (8) The parties agree that notification of any proceedings, reports, communications or any other document shall be sent as set forth in Article 28 of this Contract.
- (9) The arbitrator may only award damages as provided for under the terms of this Contract and in no event may punitive or special damages be awarded.

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- (10) The arbitrator shall have the exclusive right to determine the arbitrability of any disputes.
- (11) In the event of any conflict between the AAA Rules and any provision of this Contract, this Contract shall prevail.

C. Continuation of Performance

During the arbitration, the Parties shall continue to perform their obligations under this Contract to the extent such performance is not precluded by the subject matter of the dispute.

**Article 25. Changes**

- A. At any time during this Contract, Globalstar may request changes in the Work, so long as such changes are within the general scope of the Contract. The Contractor may also propose changes for consideration by Globalstar.
- B. A change request from Globalstar must be identified as such, must be made or confirmed in writing, and must be signed by the responsible officer identified in Article 28 hereof, entitled Communication and Authority. If any other conduct by the responsible officer or any other representative of Globalstar is construed by Contractor as possibly constituting a change request or an interpretation of the Contract requirements inconsistent with Contractor's understanding of those requirements, Contractor shall promptly notify Globalstar and request clarification.
- C. Within thirty (30) days after receiving a change request from Globalstar, Contractor shall submit to Globalstar a written contract change notice in accordance with the requirements of Paragraph D of this Article. On a case-by-case basis, Contractor may request a longer period to prepare the contract change notice. Globalstar shall not unreasonably withhold its consent to a request for such a longer period, taking into account the nature of the change request, but Globalstar may also take into account the impact of such an extension on the performance schedule.
- D. Whether submitted in response to a change request initiated by Globalstar, or initiated by Contractor, the contract change notice shall itemize, in a reasonable format specified by Globalstar, any impact that the change would have on the technical requirements, price, performance schedule, or other terms and conditions of this Contract. Where appropriate, the contract change notice shall also suggest any revised language for the Contract, including any of its Exhibits, that would be necessary to implement the change.
- E. Any claim by Contractor for adjustment of the technical requirements, price, performance schedule, or other terms and conditions of this Contract, attributable to a change, shall be deemed waived unless asserted in the contract change notice.

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- F. If the cost of any materials that would be made obsolete as a result of a change is included in Contractor's claim for adjustment:
- (1) To the extent that such materials have resale, reuse, or salvage value to Contractor or its subcontractors or suppliers, Globalstar shall be entitled to a credit.
- (2) If such materials have no such resale, reuse, or salvage value, Globalstar shall have the right to prescribe their manner of disposition.
- G. After Globalstar receives a sufficiently detailed contract change notice, and after any negotiations with respect to the adjustments claimed by Contractor, the following outcomes are possible:
- (1) Globalstar may decide not to proceed with implementation of the change.
- (2) Globalstar may decide to implement the change, in which case:
- (a) If the Parties have reached agreement about the adjustments to be made in the Contract, Contractor shall proceed with implementation as agreed.
- (b) If the Parties are unable to reach such an agreement, the provisions of Article 24 hereof, entitled Dispute Resolution, shall apply.



(c) Pending any negotiations and/or arbitration, Globalstar may direct Contractor to proceed with implementation of the change, subject to any adjustments subsequently agreed or awarded.

- H. Globalstar may also direct Contractor to proceed with implementation of a change prior to preparation of a complete contract change notice, subject to any adjustments subsequently agreed or awarded.
- I. Globalstar's right to direct Contractor to proceed with implementation of a change pursuant to Paragraph G(2)(c) or H of this Article 25 shall be subject to Contractor's ability to do so, taking into account the resources, facilities, supplies, and services available to it, and may also be subject to a stipulated financial limit.

**Article 26. Assignment of Contract**

Each Party hereby agrees that it will not, without the prior written approval of the other Party (such approval not to be unreasonably withheld or unduly delayed), assign or delegate any of their rights, duties, and obligations under this Contract, except to a wholly-owned subsidiary of such Party (which assignment or delegation shall not relieve the assignor or delegator of liability). In case of assignment by Globalstar, Globalstar shall demonstrate to Contractor's satisfaction that its successor or assignee possesses the financial resources to fulfill Globalstar's obligations under this Contract. Upon such assignment, the assignee shall assume all rights and obligations

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of the assignor existing under this Contract at the time of such assignment. This Article shall not preclude the granting of a security interest by a Party to a lender.

**Article 27. Key Personnel**

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

| <b>Position</b>                                 | <b>Name</b> |
|---|-------------|
| Principal RAN System Architect                  | TBD         |
| Principal Radio Channel System (RCS) Architect  | TBD         |
| Principal Radio Network Control (RNC) Architect | TBD         |

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

**Article 28. Communication and Authority**

- A. [\*] is assigned as Globalstar'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 27(A), the foregoing Program Managers are authorized (i) to initial the Exhibits and any modifications thereto (except Exhibit C), and (ii) to execute the waivers of technical compliance with the specifications in the Exhibits.
- B. All contractual correspondence to Globalstar will be addressed to (with copy to the Program Manager):

[\*]  
Globalstar, Inc.  
461 South Milpitas Blvd.  
Milpitas, CA 95035  
[\*]

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**Contract for Radio Access Network (RAN) and User Terminal Subsystem  
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All technical correspondence to Globalstar will be addressed to:

[\*]  
Globalstar, Inc.  
461 South Milpitas Blvd.

Milpitas, CA 95035  
[\*]

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

[\*]  
Hughes Network Systems, LLC  
11717 Exploration Lane  
Germantown, MD 20876  
[\*]

All technical correspondence to Contractor will be addressed to:

[\*]  
Hughes Network Systems, LLC  
11717 Exploration Lane  
Germantown, MD 20876  
[\*]

- C. In a time critical situation, such as operational or technical matters requiring immediate attention, notice may be given by telephone. Any notice given verbally will be confirmed in writing as soon as practicable thereafter in accordance with Article 28(D).
- D. Except as provided in Article 28(C), all notices, demands, reports, orders and requests hereunder by one Party to the other shall be in writing and deemed to be duly given on the same business day if sent by electronic means (i.e., electronic mail) or delivered by hand during the receiving Party's regular business hours, or on the date of actual receipt if sent by pre-paid overnight, registered or certified mail.
- E. The Parties agree to cooperate in implementing the use of electronic signatures, provided that such use is consistent with applicable law.

#### **Article 29. Order of Precedence**

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

Contract Articles of this document  
Exhibit A Statement of Work

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Exhibit B1 System Technical Specification  
Exhibit B2 Gateway Technical Specification  
Exhibit B3 User Terminal Subsystem Technical Specification  
Exhibit C Pricing Schedule and Payment Plan  
Exhibit D Hardware Warranty and Software Maintenance Services  
Exhibit E Globalstar Patent Portfolio

#### **Article 30. Options**

Globalstar shall have the unilateral right to exercise any option as set forth in Exhibit C hereto entitled Pricing Schedule and Payment Plan. Globalstar may exercise such option by providing written notice to Contractor no later than the expiration of the Option Validity Period. The option price is firm fixed-price for the duration of the Option Validity Period. If an option is exercised or an order for an optional item is placed after the expiry of the Option Validity Period up to the 10th anniversary of EDC, the price for such item shall be subject to escalation to be capped at [\*] per annum. Following the tenth (10<sup>th</sup>) anniversary of EDC the availability of any optional items hereunder will be subject to mutually agreed terms and conditions. Such exercised options or orders will be incorporated into the Contract through the written Contract Change Notice process set forth in Article 25 hereof. Each Contract Change Notice shall include updates, as required, to the Exhibits A, B and C to the Contract.

For the sake of clarification, Globalstar shall have the option to extend the Hardware Warranty and Software Maintenance and Support Services as described in Exhibit D and consistent with Section 10 of Exhibit A on a year to year basis for up to an additional fifteen (15) years at the option prices as set forth in Exhibit C. Globalstar shall deliver written notice of its election to implement such extensions not less than 90 days prior to the end of the applicable period being extended. Payments for such extensions shall be invoiced quarterly starting at the beginning of the extension period with payment due in accordance with Article 7 hereof.

#### **Article 31. Limitation of Liability**

- A. In any event and notwithstanding anything contained within this Contract, Contractor's liability in contract, tort (including negligence or breach of statutory duty) or otherwise arising by reason of, or in connection with, this Contract (except in relation to death or personal injury, intellectual property indemnity in accordance with Article 13 hereto, titled Intellectual Property Right Indemnity) shall be limited to the Contract Value in respect of any and all incidents arising in aggregate under this Contract.

B. IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR SPECIAL, COLLATERAL, PUNITIVE, EXEMPLARY, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING WITHOUT LIMITATION, LOSS OF GOODWILL, LOSS OF PROFITS OR REVENUES, LOSS OF SAVING, LOSS OF USE, INTERRUPTIONS OF BUSINESS, AND CLAIMS OF CUSTOMERS) WHETHER SUCH DAMAGES OCCUR PRIOR OR SUBSEQUENT TO, OR ARE ALLEGED AS A RESULT OF, TORTIOUS CONDUCT OR BREACH OF ANY OF

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THE PROVISIONS OF THIS CONTRACT, EVEN IF GLOBALSTAR OR CONTRACTOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

**Article 32. Entire Agreement**

This Contract constitutes the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all prior or contemporaneous correspondence, representations, proposals, negotiations, understandings, or agreements of the Parties, whether oral or written. The Parties also hereby acknowledge that there are no collateral contracts between them with respect to the subject matter hereof. This Contract may be signed in counterparts and each original counterpart shall be deemed binding on each Party collectively and individually.

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IN WITNESS WHEREOF, the Parties hereto have signed this Contract in duplicate.

**GLOBALSTAR, INC.**

**HUGHES NETWORK SYSTEMS, LLC**

BY:  
/s/ Anthony J. Navarra

BY:  
/s/ Vinod Jain

Name: Anthony J. Navarra

Name: Vinod Jain

Title: President

Title: Assistant Vice President

Date: 14 May 2008

Date: 14 May 2008

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GLOBALSTAR, INC.  
461 S. MILPITAS BLVD.  
MILPITAS, CA 95035

Tel: (408) 933-4700  
Fax: (408) 933-4100  
www.globalstar.com

**James Monroe III**  
**Chairman and**  
**Chief Executive Officer**

May 1, 2008

Mr. Thomas M. Colby

Re: Employment with Globalstar, Inc.

Dear Tom:

This letter (this "Agreement") memorializes the terms of your employment with Globalstar, Inc. ("Globalstar"). Let me say at the outset that we are pleased that you will be joining Globalstar as its Chief Operating Officer.

1. Title. You will be employed by Globalstar with the title and responsibilities of "Chief Operating Officer" and you will report directly to the Chief Executive Officer.

2. Base Salary; Bonus Potential. During your employment, Globalstar will pay you a base salary of \$300,000 per year ("Base Salary"), which will be paid in accordance with Globalstar's standard payroll policies and pro rated for any partial year of your employment. You will also be eligible to receive (a) an annual bonus in an amount equal to 50% of your Base Salary upon your meeting certain performance criteria as determined from time to time by the Board of Directors of Globalstar (or the Compensation Committee of the Board, if applicable) (the "Board") and communicated to you from time to time and (b) a \$500,000 special bonus payable at the option of Globalstar in cash or unrestricted shares of Globalstar common stock, par value \$0.0001 per share (the "Common Stock"), after the Board, acting in the exercise of its discretion, which shall not be withheld or delayed unreasonably, determines that not less than twenty-four (24) satellites of Globalstar's "second generation constellation" have entered commercial service and are performing satisfactorily in carrying two-way voice and data, revenue capable, traffic. This is expected to occur in 2010, with the special bonus anticipated to be paid by December 31, 2010 or as soon as administratively practicable thereafter. The annual bonus will be paid during the Bonus Payment Period. All payments of Base Salary and bonuses will be subject to withholding as required by law.

The term "Bonus Payment Period" means the period beginning on the first day immediately following the end of the period for which a bonus is determined (a "bonus determination period") and ending on the latest of (i) the last day of the calendar year in which such bonus determination period ends, or (ii) the 15th day of the third month following the end of the bonus determination period. Notwithstanding the foregoing, if calculation of the amount of a bonus is not administratively practicable due to events beyond Globalstar's control, the payment will be made as soon as the payment is administratively practicable.

3. Benefits. In addition to the compensation described above, during your employment Globalstar will provide you with participation in all benefit plans and programs that are then generally available to Globalstar senior executive officers (collectively, "Benefits"), currently including the following: (i) participation in Globalstar's employee life, health and disability insurance programs; (ii) participation in Globalstar's 401(k) Plan on the same basis as other senior officers; (iii) reimbursement rights for ordinary business expenses per company policy; and (iv) vacation in accordance with policies applicable to Globalstar senior executive officers.

4. Severance. If your employment is terminated by Globalstar without Cause (as defined below) before or within two years following a Change of Control, then you will be entitled to receive: (a) any bonus earned to date from the current calendar year per Paragraph 2 above, which shall be paid when other executives of Globalstar are paid such annual bonuses; (b) any bonus earned during the 12 month period following termination on a pro rated basis per Paragraph 2 above, which shall be paid when other executives of Globalstar are paid such annual bonuses; and (c) 12 monthly installment payments of your then Base Salary per Paragraph 2 above, with the first monthly installment commencing on the next payroll date following your termination of employment and continuing for a twelve-month period following the termination of your employment, provided you remain in compliance with Paragraph 6 below. For purposes hereof, a bonus shall be deemed "earned" if and when the applicable goals, milestones or other criteria triggering payment of the bonus occur, excluding any requirements related to continued employment. Payments made pursuant to this Paragraph shall not be made beyond the last day on which such payment would qualify as a short-term deferral under Treasury Regulation §1.409A 1(b)(4) (as applicable), except that any amounts in excess of the Separation Pay Exemption Amount (defined below) shall be paid as follows: (i) no portion of the excess amount may be paid, or commence to be paid, earlier than six (6) months after the date you separate from service, and (ii) the payments that would have otherwise been paid during such six (6) month period shall be accumulated and paid on the first day of the seventh month following the date you separate from service.

The term "Separation Pay Exemption Amount" means an amount equal to two times the lesser of (x) the sum of your annualized compensation based upon the annual rate of pay for services provided to Globalstar for your taxable year preceding the taxable year in which you separate from service (adjusted for any increase during that year that was expected to continue indefinitely if you had not separated from service); or (y) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Internal Revenue Code for the year in which you separate from service.

"Change of Control" means the occurrence, after the Effective Date, of the following with respect to Globalstar:

Substantially all the assets of the Company are disposed of pursuant to a merger, consolidation, sale, or plan of liquidation and dissolution (unless any or all of Globalstar Holdings LLC, Globalstar Satellite LP, and Thermo Funding Company LLC, and their respective affiliates has Beneficial Ownership of, directly or indirectly, a controlling interest (defined as owning a majority of the voting power) in the entity surviving such merger or consolidation or acquiring such assets upon such sale or in connection with such plan of liquidation and dissolution).

“Beneficial Ownership” has the meanings provided in Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

“Cause” means (i) any act of fraud, theft or misappropriation of property relating to Globalstar; (ii) any breach by you of a material term of this Agreement; (iii) any material neglect, or material misconduct by you, in discharging the duties as are set forth in this Agreement or reasonably directed by Globalstar; (iv) any conviction or plea of guilty or *nolo contendere* for any felony or any other serious crime involving moral turpitude; or (v) any action or failure to act by you which results in a penalty or sanction by the Securities and Exchange Commission or the Federal Communications Commission against you or Globalstar. Globalstar will not terminate you for Cause without first providing you with written notice of its intent to terminate for Cause and the acts or omissions giving rise to the “for Cause” termination, and providing you with an opportunity to be heard by the Board on the subject. In the event there is a Change of Control, for a period of two years following the date of such Change in Control, the term “Cause” shall not include items (i) through (v) above and shall only mean the following: (x) you violate any Globalstar policy, regulation or guideline which you fail to cure within sixty (60) days following written notice of such violation by Globalstar to you; or (y) your conviction or plea of guilty or *nolo contendere* with respect to fraudulent or illegal activities which are materially injurious to Globalstar, monetarily or otherwise. For purposes hereof, your employment will also be deemed to have been terminated without Cause upon (i) a demotion or diminution of your duties, responsibilities or status; (ii) a material reduction in base salary or annual cash bonus incentive opportunities (whether in one reduction or cumulatively); or (iii) a relocation of your principal office more than 25 miles from Atherton, California.

5. Equity Awards. Globalstar will grant you the following equity awards within ninety (90) days after the Effective Date (defined below):

(a) A restricted stock award equal to \$1,600,000 based on the closing price of a share of Common Stock as quoted on The NASDAQ Global Select Market on the date of grant. This restricted stock will vest on the anniversary of the date of grant in each of 2011 and 2012 as to shares valued at \$500,000 at the time of grant and in 2013 as to shares valued at \$600,000 at the time of grant, contingent, with respect to each installment, on your continuous employment with Globalstar through the date of vesting. The foregoing notwithstanding, if any restricted stock issued under this Agreement shall vest on a date on which a sale of shares by you or your beneficiaries or personal representatives would violate Globalstar’s Insider Trading Policy, vesting shall be deferred until the next day on which the sale would not violate the Globalstar Insider Trading Policy. This Paragraph 6(a) may be supplemented by an award agreement containing additional terms and conditions that are reasonably satisfactory to you and Globalstar.

(b) Four nonqualified options to purchase an aggregate of 1,264,744 shares of Globalstar Common Stock. The options will be exercisable when the closing price per share of Globalstar Common Stock reaches the values specified below, contingent, with respect to each installment, on your continuous employment with Globalstar through the date on which the options become exercisable. An option to purchase 550,661 shares will have an exercise price of \$5.00 per share, but will only be exercisable when the closing price of Globalstar Common Stock

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equals or exceeds \$14.08. An option to purchase 335,243 shares will be exercisable at \$10.00 per share, but only when the closing price of Globalstar Common Stock equals or exceeds \$18.18. An option to purchase 202,839 shares will be exercisable at \$15.00 per share, but only when the closing price of Globalstar Common Stock equals or exceeds \$22.28 per share. An option to purchase 176,001 shares will be exercisable at \$20 per share, but only when the closing price of Globalstar Common Stock equals or exceeds \$25.83 per share. As used herein, the closing price means the average closing price over any twenty (20) consecutive trading-day period during the five-year period beginning on the grant date based on the closing price of a share of Common Stock as quoted on The NASDAQ Global Select Market or such other national or regional securities exchange or market system constituting the primary market for the Common Stock. The options will expire 10 years from the date of grant. This Paragraph 6(b) may be supplemented by an award agreement containing additional terms and conditions that are reasonably satisfactory to you and Globalstar.

(c) The parties hereto understand that the stock option awards are intended to be either exempt from, or compliant with, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and any applicable regulations or similar guidance issued thereunder (“Section 409A”).

6. Employee Covenants. In consideration for the compensation package provided above, you agree to the following provisions:

(a) You will abide by the rules, regulations, policies, and procedures established from time to time by Globalstar. While you are employed by Globalstar, you will devote your entire productive time, ability, and attention for the benefit of Globalstar and will not render any service of a commercial or professional nature to any other person or enterprise without the prior written consent of Globalstar; provided, however, that you may engage in appropriate educational, civic, charitable, or religious activities so long as these activities do not materially impair your ability to carry out your obligations hereunder and to devote your full business efforts to Globalstar.

(b) Confidential Information. You acknowledge that the information, observations and data obtained by you while employed by Globalstar concerning the business or affairs of Globalstar (including Globalstar’s technology, systems, know-how, designs, inventions, methods of doing business and supplier and customer information) (collectively, “Confidential Information”) are the property of Globalstar. Except as required by law or court order, you will not disclose or use any Confidential Information other than in the course of performance of your employment duties to Globalstar without the prior written consent of the Board, unless and to the extent that such Confidential Information is or becomes generally known to and available for use by the public other than as a result of your own wrongful acts or omissions. You agree to deliver to Globalstar at the termination of your employment, or at any other time on the written request of the Board, all memoranda, notes, plans, reports, electronic records and other documents and data (and copies thereof) that constitute or memorialize Confidential Information, Work Product (as defined below) or that relate to the business of Globalstar which you then possess or have under your control.

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(c) Inventions. You agree that all inventions, innovations, improvements, developments, methods, designs, analyses, reports, and all similar or related information which relates to Globalstar’s actual or anticipated business or existing or future products or services and which are conceived, developed or made by you while employed by Globalstar (“Work Product”) are owned by Globalstar, and you hereby assign all right, title and interest in and to such Work Product to Globalstar. You agree to promptly disclose such Work Product to the Board and perform all actions

reasonably requested by the Board (whether during or after the term of your employment) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments).

(d) Noncompetition. You agree that, during your employment by Globalstar and for a period of twelve (12) months thereafter, you will not, within any market area in which Globalstar or any of its affiliates were carrying on any business or pursuing any customers at the time of such termination, directly or indirectly, as an individual on your own account or as a partner or joint venturer, or employee or agent for any person or partnership, or as employee, officer, manager, member, agent, director, or shareholder of any corporation or entity, or otherwise: (i) engage in or have any interest, active or passive, in any business which is competitive with the business of Globalstar, or (ii) solicit or attempt to divert from Globalstar or any of its affiliates, any then-existing customers, potential customers with whom you have had contact during your employment, employees, agents, or licensees, or (iii) engage in any research, marketing, or sales of any products or services of the type sold by Globalstar during your employment.

(e) Goodwill. You agree that during your employment and for a period of twelve (12) months thereafter, you will not intentionally disparage or act in any manner which may damage Globalstar's business or which would adversely affect the goodwill, reputation and business relationships of Globalstar with the public generally, or with any of its customers, suppliers or employees.

(f) Any violation by you of any of the provisions within the foregoing four paragraphs (b) through (e) will entitle Globalstar, in addition to any other remedies, to an injunction to restrain the violation, or to other equitable relief, without bond or security. You agree that in the event any court of competent jurisdiction finds any part of the foregoing paragraphs unenforceable, the provision(s) affected will be altered to the minimum extent necessary to make the affected provision(s) enforceable.

(g) You represent that your execution of this Agreement and performance of your duties hereunder will not violate any other agreement by which you are bound.

7. Term and Termination. This Agreement is effective for all purposes as of May 1, 2008 (the "Effective Date"), and ending on the date upon which your employment is terminated by either you or Globalstar. Such employment shall be on an "at will" basis, terminable at any time and for any reason by either you or Globalstar (but subject to the provisions of Paragraph 4 of this Agreement). Paragraphs 4 and 6 hereof will survive the

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termination of this Agreement and will remain in force following any termination of this Agreement.

8. Entire Agreement; Amendment. This Agreement (and any supplements thereto) represents the entire agreement of the parties with respect to the subject matter hereof, and supersedes any previous agreement between you and Globalstar and will render the ongoing terms of any previous agreement between you and Globalstar null and void. This Agreement may only be amended with the written consent of you and Globalstar.

9. Successors and Assigns. This Agreement will be binding on the parties hereto and their successors and assigns.

10. Compliance with Section 409A. Notwithstanding any other provision of this Agreement, to the extent applicable, this Agreement is intended to comply and shall be construed to comply with Section 409A. To the extent any provision of this Agreement is contrary to or fails to address the requirements of Section 409A, this Agreement shall be construed and administered as necessary to comply with such requirements.

11. Applicable Law. This Award 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.

Sincerely,

/s/ James Monroe III

James Monroe III  
Chairman and Chief Executive Officer

JMIII/caw

To acknowledge your acceptance of this Agreement, please sign and return.

AGREED BY: /s/ Thomas M. Colby  
Thomas M. Colby

May 1, 2008  
Date

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GLOBALSTAR, INC.  
RESTRICTED STOCK BONUS AWARD AGREEMENT

THIS AWARD AGREEMENT, is entered into on August , 2008 by and between Globalstar, Inc., a Delaware corporation (the "Company"), and Thomas M. Colby ("you"). Capitalized terms used in this Award Agreement but not defined in this Award Agreement have the meanings given to them in the Amended and Restated Globalstar, Inc. 2006 Equity Incentive Plan (the "Plan").

In accordance with the letter agreement dated May 1, 2008 between the Company and you (the "Letter Agreement"), the Company hereby agrees to grant you Restricted Stock Bonus Awards consisting of shares of the Company's Common Stock, par value \$0.0001 per share ("Shares") under the Plan as set forth below:

| Value at Grant | Grant and Vesting Date   |
|----------------|--|
| \$500,000      | Upon Board of Director determination, in its discretion, that not less than 24 satellites of the Company's second generation constellation have entered commercial service and are performing satisfactorily in carrying two-way voice and data, revenue capable, traffic. |
| 500,000        | July 11, 2011  |
| 500,000        | July 11, 2012  |
| 600,000        | July 11, 2013  |

**GRANT AND VESTING.** On each of the Grant and Vesting Dates, the Company shall issue and you shall acquire, subject to this Award Agreement and applicable provisions of the Plan, a Restricted Stock Bonus consisting of the number of Shares determined by dividing the applicable Value at Grant by the Fair Market Value per share in dollars of the Stock on the last Trading Day that shall have occurred before the respective Vesting Date; provided that you have remained continuously employed by the Company (such employment being hereinafter referred to as "Service") through the applicable Vesting Date. Subject to the following sentence, all of such Shares shall be vested fully on the Grant Date. The foregoing notwithstanding, if any Restricted Stock Bonus issued under this Award Agreement otherwise would vest on a date on which a sale of Shares by you or your beneficiaries or personal representatives would violate the Company's Insider Trading Policy, vesting shall be deferred until the next day on which the sale would not violate the Insider Trading Policy.

**ISSUANCE OF SHARES IN COMPLIANCE WITH LAW.** Issuance of Shares shall be subject to compliance with all applicable requirements of federal, state, or foreign law. No Shares shall be issued at any time when issuance would constitute a violation by the Company of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any Stock Exchange or market system on 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 under this Award Agreement shall toll the Company's obligation to issue such Shares until such disability shall have been removed, and shall relieve the Company of any liability in respect of any resultant delay in issuance of 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 you 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.

**COMPLIANCE WITH RULE 16B-3.** The Restricted Stock Bonus Awards subject to this Award Agreement have been approved by the Board of Directors in compliance with Rule 16b-3(d) promulgated under the Securities Exchange Act of 1934.

**FORFEITURE.** If your Service terminates for any reason, the portion of the Restricted Stock Bonus Awards which are not then granted or vested shall be immediately forfeited and canceled.

**BUY OUT.** Upon the occurrence of any Grant and Vesting Date, the Company will have the right to elect to pay you cash equal to the applicable Value at Grant in lieu of issuing the Shares. The Company's determination to issue Shares or to pay cash on any Grant and Vesting Date shall in no way affect the Company's right to elect to issue Shares or to pay cash upon the occurrence of any other Grant and Vesting Date.

**TAXES.** You must pay all applicable U.S. federal, state and local taxes resulting from the grant of this award or the issuance of Shares upon vesting of this award. The Company has the right to withhold all applicable taxes due upon the vesting of this award (by payroll deduction, the withholding of Shares from delivery or otherwise) from the proceeds of this award or from future earnings (including salary, bonus, director's fees or any other payments). Subject to compliance with applicable law and the Company's Insider Trading Policy, you may satisfy the Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by you 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 issued upon vesting of each award.

You understand that you should consult with your 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 Award Agreement. Failure to file an election under Section 83(b), if appropriate, may result in adverse tax consequences to you. You acknowledge that you have been advised to consult with a tax advisor regarding the tax consequences of the acquisition of Shares hereunder. **ANY ELECTION UNDER SECTION 83(b) YOU WISH TO MAKE MUST BE FILED NO LATER THAN 30 DAYS AFTER THE DATE ON WHICH YOU ACQUIRE THE SHARES. THIS TIME PERIOD CANNOT BE EXTENDED. YOU ACKNOWLEDGE THAT TIMELY FILING OF A SECTION 83(b) ELECTION IS YOUR SOLE RESPONSIBILITY, EVEN IF YOU REQUEST GLOBALSTAR OR ITS REPRESENTATIVE TO FILE SUCH ELECTION ON YOUR BEHALF.** You agree to notify Globalstar in writing before you file an election pursuant to Section 83(b) of the Code.

It is the intention of the parties that the Restricted Stock Bonus Awards under this Award Agreement comply with, and/or be exempt from, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, so that no adverse tax consequences will be imposed upon you under such Section at the time any Restricted Stock Bonus Award vests. The Plan is not intended to be a qualified plan under the Federal Employee Retirement Income Security Act. Nothing in this Award Agreement or in the Plan shall be construed to be at variance with these intentions.

**CONDITIONS.** These Restricted Stock Bonus Awards are governed by and subject to the terms and condition of the Plan, which contains important provisions of this award and forms a part of this Award Agreement. A copy of the Plan is being provided to you, along with a summary of the Plan. If there is any conflict among any provision of this Award Agreement, the Plan and the Letter Agreement, this Award Agreement will control. Your rights and obligations under this Award Agreement are also governed by and are subject to applicable U.S. laws.

**MARKET STANDOFF PERIOD.** You hereby acknowledge and agree that if so requested in connection with any registration of the offering of any securities of the Company (or any successor) under the Securities Act, you will not sell or otherwise transfer any Shares or other securities of the Company (or a successor) during the 180-day period (or such other period as may be requested by any underwriter or the Company in writing) (the "Market Standoff Period") following the effective date of a registration statement of the Company (or any successor), any parent corporation (as defined in Section 424 of the Internal Revenue Code) or any Subsidiary filed under the Securities Act. To enforce this restriction, such entity may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.



NOTICES. Any notices required or permitted hereunder shall be addressed to the Company at its corporate headquarters, attention: Director of Human Resources, or to you at the address then on record with the Company, as the case may be, and deposited, postage prepaid, in the United States mail. Either party may, by notice to the other given in the manner aforesaid, change his or its address for future notices.

HEADINGS. The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Award Agreement.

LIMITATIONS ON LIABILITY. As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in this Award Agreement shall be construed to: give you any right to be granted an award other than as set forth herein or at the sole discretion of the Board of Directors of the Company; give you any rights whatsoever with respect to Shares except as specifically provided in this Award Agreement; limit in any way the right of the Company or its subsidiaries or affiliates to terminate your Service at any time; or be evidence of any agreement or understanding, expressed or implied, that the Company or its subsidiaries or affiliates will employ you in any particular position, at any particular rate of compensation or for any particular period of time.

GOVERNING LAW. This Award Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflict of laws principles.

SUCCESSOR. This Award Agreement shall bind and inure to the benefit of the Company, its successors and assigns and you and your personal representatives and assigns.

AMENDMENT. This Award Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

SURVIVAL OF AGREEMENT. To the extent necessary to carry out the intentions of the parties hereto, the respective rights and obligations of the parties hereunder shall survive any termination of this Award Agreement.

COUNTERPARTS. This Award Agreement 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.

ACKNOWLEDGEMENT. The Company has caused this Award Agreement to be duly executed by its duly authorized officer. To acknowledge receipt of this award, please sign and return one copy of this Award Agreement to the Company's Director of Human Resources.

GLOBALSTAR, INC.

THOMAS M. COLBY

By:  
Title:

GLOBALSTAR, INC.  
NON-QUALIFIED STOCK OPTION AWARD AGREEMENT

THIS AWARD AGREEMENT, is entered into on August , 2008 (the "Grant Date"), by and between Globalstar, Inc., a Delaware corporation (the "Company"), and Thomas M. Colby ("you").

GRANT. In accordance with the letter agreement dated May 1, 2008 between the Company and you (the "Letter Agreement"), the Company hereby awards you four sets of non-qualified stock options ("Options") to purchase the number of shares of the Company's Common Stock, par value \$0.0001 per share ("Shares") set forth below, at the corresponding Option Prices set forth below, subject to the terms and conditions of this Award Agreement:

| No. of Shares | Option Price | Vesting Price |
|---------------|--------------|---------------|
| 550,661       | \$ 5.00      | \$ 14.08      |
| 335,243       | 10.00        | 18.18         |
| 202,839       | 15.00        | 22.28         |
| 176,001       | 20.00        | 25.83         |

VESTING. Each set of Options will vest on the first date, if any, during the period commencing on the Grant Date and ending on July 11, 2013 (the "Vesting Period"), on which the Share price attains the amount indicated above. For such purpose, the Share price will be the average closing price of Company Common Stock as quoted on The NASDAQ Global Select Market (or other national or regional securities exchange or market system constituting the primary market for the Common Stock) over any twenty (20) consecutive trading-day period. No Option will vest unless you have remained continuously employed by the Company (such employment being hereinafter referred to as "Service") through the applicable vesting event.

FORFEITURE. If your Service terminates for any reason, any unvested portion of the Options shall be immediately forfeited and canceled.

TERM. Each Options will expire July 11, 2018 (the "Expiration Date").

COMPLIANCE WITH RULE 16B-3. The Options subject to this Award Agreement have been approved by the Board of Directors in compliance with Rule 16b-3(d) promulgated under the Securities Exchange Act of 1934.

EXERCISE. Once vested, an Option will remain exercisable with respect to any vested Shares until the Expiration Date following termination of Service for any reason other than Cause (as defined in the Letter Agreement). If your Service is terminated for Cause, any unexercised vested portion of the Options shall be immediately forfeited and canceled.

Only vested Options may be exercised. In order to exercise any Option, you must deliver to the Company a written notice at least one (1) day prior to the Expiration Date indicating the Option and the number of Shares being exercised, accompanied by full payment of the Option Price. You must exercise an Option for at least 100 shares, unless the total number of Shares covered by that Option is less than 100, in which case you must exercise the Option for all remaining Shares. You may pay the Option Price in cash, by transferring to the Company Shares owned by you for at least six months prior to the exercise with a Fair Market Value (as defined in the Company's Amended and Restated 2006 Equity Incentive Plan) equal to the Option Price on the date of exercise, by delivery of an irrevocable instruction to a broker approved by the Company of properly executed instructions, providing for the assignment to the Company of the proceeds of a sale with respect to some or all of the Shares issued upon exercise of an Option, or a

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combination thereof. You will have no rights as a stockholder with respect to the Shares before exercise of an Option and delivery to you of a certificate evidencing those Shares or a statement evidencing the entry of the Shares in your name in book entry form.

**TAXES.** You must pay all applicable U.S. federal, state and local taxes resulting from the issuance of Shares upon exercise of the Options. The Company has the right to withhold all applicable taxes due upon the exercise of the Options (by payroll deduction, the withholding of Shares from delivery or otherwise) from the proceeds of such exercise or from future earnings (including salary, bonus, director's fees or any other payments). Subject to compliance with applicable law and the Company's Insider Trading Policy, you may satisfy the Company's tax withholding obligations in accordance with procedures established by the Company providing for delivery by you 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 issued upon exercise of the Options.

It is the intention of the parties that the Options and the Shares issued upon exercise of an Option under this Award Agreement comply with, and/or be exempt from, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, so that no adverse tax consequences will be imposed upon you under such Section at the time any exercise of an Option. This Award Agreement is not intended to be a qualified plan under the Federal Employee Retirement Income Security Act. Nothing in this Award Agreement shall be construed to be at variance with these intentions.

**ADJUSTMENT.** If any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, merger or consolidation, split-up, spin-off, or other similar corporate transaction or event occurs prior to exercise of an Option, then the Compensation Committee of the Company's Board of Directors (the "Committee") may adjust the number and kind of shares subject to the Option and the purchase price of such shares in such manner as it may deem equitable and appropriate within the limits of applicable law or NASDAQ or other exchange rules.

**TRANSFERABILITY OF OPTION.** You may not transfer the Options other than by will or the laws of descent and distribution. The Options shall be exercisable during your lifetime only by you or by your guardian or legal representative, or after your death only by a transferee as permitted under this Award Agreement.

**LAWS AND REGULATIONS.** No Shares shall be issued under the Options unless and until all legal requirements applicable to the issuance of such shares have been complied with to the satisfaction of the Committee. The Committee shall have the right to condition any issuance of Shares to you hereunder on your undertaking in writing to comply with such restrictions on the subsequent disposition of such Shares as the Committee shall deem necessary or advisable as a result of any applicable law or regulation.

**REGISTRATION.** As soon as practicable, but in no event later than the first anniversary of the Grant Date, the Company shall, at its expense, cause the Shares subject to the Options to be registered under the Securities Act of 1933, as amended (the "Securities Act"), and registered or qualified under applicable state law, to be freely resold. The Company shall thereafter use its best efforts to maintain the effectiveness of such registration and qualification for so long as you hold the Options (or any portion thereof) or any of the Shares purchased thereunder, or until such earlier date as such Shares may otherwise be freely sold under applicable law.

**MARKET STANDOFF PERIOD.** You hereby acknowledge and agree that if so requested in connection with any registration of the offering of any securities of the Company (or any successor) under the Securities Act, you will not sell or otherwise transfer any Shares or other securities of the Company (or a successor) during the 180-day period (or such other period as may be requested by any underwriter or the Company in writing) (the "Market Standoff Period") following the effective date of a registration

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statement of the Company (or any successor), any parent corporation (as defined in Section 424 of the Internal Revenue Code) or any Subsidiary filed under the Securities Act. To enforce this restriction, such entity may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of such Market Standoff Period.

**NOTICES.** Any notices required or permitted hereunder shall be addressed to the Company at its corporate headquarters, attention: Director of Human Resources, or to you at the address then on record with the Company, as the case may be, and deposited, postage prepaid, in the United States mail. Either party may, by notice to the other given in the manner aforesaid, change his or its address for future notices.

**HEADINGS.** The headings of paragraphs herein are included solely for convenience of reference and shall not affect the meaning or interpretation of any of the provisions of this Award Agreement.

**LIMITATIONS ON LIABILITY.** As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in this Award Agreement shall be construed to: give you any right to be granted an option other than as set forth herein or at the sole discretion of the Board of Directors of the Company; give you any rights whatsoever with respect to Shares except as specifically provided in this Award Agreement; limit in any way the right of the Company or its subsidiaries or affiliates to terminate your Service at any time; or be evidence of any agreement or understanding, expressed or implied, that the Company or its subsidiaries or affiliates will employ you in any particular position, at any particular rate of compensation or for any particular period of time.

**GOVERNING LAW.** This Award Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to its conflict of laws principles.

SUCCESSOR. This Award Agreement shall bind and inure to the benefit of the Company, its successors and assigns, and you and your personal representatives and assigns.

AMENDMENT. This Award Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto.

SURVIVAL OF AGREEMENT. To the extent necessary to carry out the intentions of the parties hereto, the respective rights and obligations of the parties hereunder shall survive any termination of this Award Agreement.

COUNTERPARTS. This Award Agreement 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.

ACKNOWLEDGEMENT. The Company has caused this Award Agreement to be duly executed by its duly authorized officer. To acknowledge receipt of this award, please sign and return one copy of this Award Agreement to the Company's Director of Human Resources.

GLOBALSTAR, INC.

THOMAS M. COLBY

\_\_\_\_\_  
By:  
Title:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Certification of Chief Executive Officer**

I, James Monroe III, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globalstar, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2008

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

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**Certification of Chief Financial Officer**

I, Fuad Ahmad, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Globalstar, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15(d)-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2008

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

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

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

This quarterly report on Form 10-Q for the quarter ended June 30, 2008 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 11, 2008

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

Dated: August 11, 2008

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

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