UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from to

Commission file number 001-33117

GLOBALSTAR, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

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 o. No x.

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

Large accelerated filer o Accelerated filer o Non-accelerated filer x

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. As of December 6, 2006, there were 72,600,186 shares of $0.0001 par value Common Stock outstanding.

TABLE OF CONTENTS

	Page
PART I - Financial Information	3
Item 1. Financial Statements	3
Consolidated Statements of Operations for the three and nine months ended September 30, 2006 and 2005 (unaudited)	3
Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005 (unaudited)	4
Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 and 2005 (unaudited)	5
Notes to Unaudited Interim Consolidated Financial Statements	6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 16

Item 3. Quantitative and Qualitative Disclosures About Market Risk 32

Item 4. Controls and Procedures 32

PART II - Other Information 33

Item 1. Legal Proceedings 33

Item 1A. Risk Factors 33

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 45

Item 4. Submission of Matters to a Vote of Security Holders 46

Item 6. Exhibits 46

Signatures 47

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended		Nine Months Ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Revenue:				
Service revenue	$ 27,649	$ 22,210	$ 69,851	$ 57,175
Subscriber equipment sales	11,046	18,340	37,585	33,700
Total revenue	38,695	40,550	107,436	90,875
Operating expenses:				
Cost of services (exclusive of depreciation and amortization shown separately below)	6,695	5,465	20,583	19,245
Cost of subscriber equipment sales	10,902	16,057	36,671	28,273
Marketing, general, and administrative	10,543	12,053	31,234	28,679
Depreciation and amortization	1,726	786	4,424	2,026
Impairment of assets	—	75	—	114
Total operating expenses	29,866	34,436	92,912	78,337
Operating income	8,829	6,114	14,524	12,538
Other income (expense):				
Interest income	80	56	446	118
Interest expense	(148)	(50)	(256)	(244)
Interest rate derivative gain (loss)	(2,919)	—	(2,919)	—
Other	(84)	(119)	(1,844)	(657)
Total other expense	(3,071)	(113)	(4,573)	(783)
Income before income taxes	5,758	6,001	9,951	11,755
Income tax expense (benefit)	3,057	(1,871)	(14,402)	1,027
Net income	$ 2,701	$ 7,872	$ 24,353	$ 10,728
Earnings per common share:				
Basic	$ 0.04	$ 0.13	$ 0.39	$ 0.17
Diluted	0.04	0.13	0.39	0.17
Weighted-average shares outstanding:				
Basic	62,875,494	61,855,668	62,267,130	61,855,668
Diluted	63,205,206	61,955,874	62,596,842	61,955,874
Pro forma C corporation data:				
Historical income before income taxes	N/A	$ 6,001	N/A	$ 11,755
Pro forma income tax expense (benefit)	N/A	(867)	N/A	2,789
Pro forma net income	N/A	$ 6,868	N/A	$ 8,966
Pro forma earnings per common share:				
Basic	N/A	$ 0.11	N/A	$ 0.14
Diluted	N/A	0.11	N/A	0.14

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)
(Unaudited)

	September 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 17,710	$ 20,270
Accounts receivable, net of allowance of $2,395 (2006) and $1,774 (2005)	23,964	21,652
Inventory	31,950	17,620
Advances for inventory	16,856	13,516
Subscription receivable	—	13,000
Deferred tax assets	1,749	2,398
Prepaid expenses and other current assets	1,989	1,750
Total current assets	94,218	90,206
Property and equipment:		
Globalstar System, net	17,433	10,717
Spare and second generation satellites and launch costs	66,618	3,012
Other property and equipment, net	6,903	7,531
	90,954	21,260
Other assets:		
Gateway receivables, net of allowance of $4,944 (2006) and $10,784 (2005)	—	1,000
Deferred tax assets	17,999	—
Other assets, net	7,530	1,079
Total assets	$ 210,701	$ 113,545
LIABILITIES AND OWNERSHIP EQUITY		
Current liabilities		
Notes payable, current portion	$ 462	$ 293
Accounts payable	13,822	4,193
Accrued expenses	17,426	11,484
Payables to affiliates	9,043	2,959
Deferred revenue	22,473	17,212
Total current liabilities	63,226	36,141
Borrowings under revolving credit facility	23,302	—
Notes payable, net of current portion	438	631
Employee benefit obligations	3,094	2,997
Other non-current liabilities	3,369	2,346
Total non-current liabilities	30,203	5,974
Redeemable Series A common stock; 91,986 shares issued and outstanding at September 30, 2006	5,198	—
Ownership equity:		
Common stock, Series A, $0.0001 par value; 300,000,000 shares authorized, 19,369,800 shares issued and outstanding at September 30, 2006	2	—
Common stock, Series B, $0.0001 par value; 20,000,000 shares authorized, 4,154,400 shares issued and outstanding at September 30, 2006	—	—
Common stock, $0.0001 par value; 480,000,000 shares authorized, 39,259,308 shares issued and outstanding at September 30, 2006	4	—
Additional paid-in capital	87,733	—
Member interests	—	73,314
Accumulated other comprehensive loss	(18)	(1,884)
Retained earnings	24,353	—
Total ownership equity	112,074	71,430
Total liabilities and ownership equity	$ 210,701	$ 113,545

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	September 30, 2006	September 30, 2005
Cash flows from operating activities:		
Net income	$ 24,353	$ 10,728
Adjustments to reconcile net income to net cash from operating activities:		
Deferred income taxes	(17,372)	523
Depreciation and amortization	4,424	2,026
Loss on disposal of fixed assets	1	—
Provision for bad debts	898	260
Contribution of services	108	108
Interest rate derivative loss	2,919	—
Impairment of property and equipment	—	114
Other non-cash gains	—	(100)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(1,776)	(17,530)
Inventory	(11,171)	(4,871)
Advances for inventory	(5,816)	(5,244)
Prepaid expenses and other current assets	585	(2,625)
Other assets	(545)	48
Receivables from affiliates	(40)	(1,035)
Accounts payable	2,081	1,672
Payables to affiliates	5,321	5,758
Accrued expenses and employee benefit obligations	3,814	6,159
Deferred revenue	5,044	8,897
Net cash from operating activities	12,828	4,888
Cash flows from investing activities:		
Spare and second-generation satellites and launch costs	(56,163)	(60)
Property and equipment additions	(3,795)	(6,221)
Proceeds from sale of property and equipment	—	81
Payment for business acquisitions	(191)	(342)
Net cash from investing activities	(60,149)	(6,542)
Cash flows from financing activities:		
Proceeds from revolving credit facility	23,302	—
Payment of principal on notes payable	(22)	(1,010)
Proceeds from subscription receivable	13,000	4,235
Deferred transaction cost payments	(6,355)	—
Redemption of minority interest	—	(100)
Proceeds from sale of common stock	15,000	—
Net cash from financing activities	44,925	3,125
Effect of exchange rate changes on cash	(164)	493
Net increase (decrease) in cash and cash equivalents	(2,560)	1,964
Cash and cash equivalents, beginning of period	20,270	13,330
Cash and cash equivalents, end of period	$ 17,710	$ 15,294
Supplemental disclosure of cash flows information:		
Cash paid:		
Interest	$ 1,023	$ 234
Income taxes	$ 105	$ 181
Supplemental disclosure of non-cash activities:		
Accrued launch costs	$ 7,443	—
Capitalization of interest for spare and second-generation satellites and launch costs	$ 920	—
Distribution payable to member	$ 686	—
Issuance of Series A redeemable common stock in conjunction with acquisition	$ 5,198	—

See accompanying notes to unaudited interim consolidated financial statements.

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

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. The interim financial information is unaudited. In the opinion of management, such information includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company's consolidated financial position, results of operations, and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2006 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 Registration Statement on Form S-1. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The consolidated balance sheet as of December 31, 2005 was derived from the Company's audited consolidated financial statements for the year ended December 31, 2005, but does not include all disclosures required by GAAP.

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

The Company utilizes a derivative instrument in the form of an interest rate swap agreement to minimize the risk of variability in its borrowing costs over the term of the borrowing arrangement. The interest rate swap agreement is used to manage risk and is not used for trading or other speculative purposes. Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. The interest rate swap agreement did 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.

Other income (expense) includes foreign exchange transaction losses of $0.1 million and $1.8 million for the three and nine months ended September 30, 2006, respectively, and $0.2 million and $0.8 million for the three and nine months ended September 30, 2005, respectively.

Recent Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" ("FIN 48"), which clarifies the accounting for uncertainty in income tax positions. This Interpretation requires that the Company recognize in its financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective for the Company on January 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on its financial position, cash flows, and results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which clarifies the definition of fair value, establishes guidelines for measuring fair value, and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements and eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 will be effective for the Company on January 1, 2008. The Company is currently evaluating the impact of adopting SFAS 157 on its financial position, cash flows, and results of operations.

In September 2006, the Securities and Exchange Commission ("SEC") released Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB 108 provides interpretive guidance on the SEC's views on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The provisions of SAB 108 will be effective for the Company for the fiscal year ended December 31, 2006. The Company is currently evaluating the impact of applying SAB 108 but does not believe that the application of SAB 108 will have a material effect on its financial position, cash flows, or results of operations

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

Note 2: Basic and Diluted Earnings 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 common shares 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. For the three and nine months ended September 30, 2006, weighted average shares outstanding for diluted earnings per share includes the effects of the 120,000 stock options which the Company agreed to grant to a new board member during the first quarter of 2005 and approximately 230,000 shares of Common Stock that are contingently issuable to the former stockholders of the Globalstar Americas Holding ("GAH"), Globalstar Americas Telecommunications ("GAT"), and Astral Technologies Investment Limited ("Astral"), collectively, the "GA Companies" (See Note 3).

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

	Three Months Ended September 30, 2006			Nine Months Ended September 30, 2006		
	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount
Basic earnings per common share						
Net income	$ 2,701	62,875,494	$ 0.04	$ 24,353	62,267,130	$ 0.39
Effect of Dilutive Securities						
Stock options to director	—	100,206		—	100,206	
GAT acquisition	—	229,506		—	229,506	
Diluted earnings per common share	$ 2,701	63,205,206	$ 0.04	$ 24,353	62,596,842	$ 0.39

	Three Months Ended September 30, 2005			Nine Months Ended September 30, 2005		
	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount
Basic earnings per common share						
Net income	$ 7,872	61,855,668	$ 0.13	$ 10,728	61,855,668	$ 0.17
Effect of Dilutive Securities						
Stock options to director	—	100,206		—	100,206	
GAT acquisition	—	—		—	—	
Diluted earnings per common share	$ 7,872	61,955,874	$ 0.13	$ 10,728	61,955,874	$ 0.17

Note 3: Globalstar Americas Telecommunications, LTD

Effective January 1, 2006, the Company consummated an agreement dated December 30, 2005 to purchase all of the issued and outstanding stock of the GA Companies. The GA Companies owned assets, contract rights, and licenses necessary and sufficient to operate a satellite communications business in Panama, Nicaragua, Honduras, El Salvador, Guatemala, and Belize (collectively, the "Territory"). The Company believes the purchase of the GA Companies will further enhance Globalstar's presence and coverage in Central America and consolidation efforts. The stipulated purchase price for the GA Companies is $5,250,500 payable substantially 100% in Globalstar common stock. At the time of closing of the purchase of the GA Companies, the selling stockholders received 91,986 membership units, which subsequently were converted into the same number of shares of Common Stock of the Company (See Notes 11 and 17). Under the terms of the acquisition agreement, the Company is obligated either to redeem the stock issued to the selling stockholders for $5.2 million in cash or to pay the selling stockholders, in cash or in stock, the difference between $5.2 million and the market value of the stock received at closing. If the Company does not fulfill these conditions of the acquisition agreement, the selling stockholders may rescind the transaction. In accordance with the acquisition agreement, an additional 275,954 shares or approximately $3.9 million in cash could be distributed to the selling stockholders based upon the five day average closing price between November 15, 2006 and November 21, 2006 of $14.27.

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):

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

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

Note 4: Property and Equipment

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

	September 30, 2006	December 31, 2005
Globalstar System:		
Space segment	$ 5,832	$ 5,832
Ground segment	25,789	11,427
Spare and second-generation satellites and launch costs	66,618	3,012
Construction in progress	631	3,654
Land	2,101	1,070
Leasehold improvements	1,394	1,363
Buildings	484	84
Furniture and office equipment	8,753	6,624
	111,602	33,066
Accumulated depreciation	(20,648)	(11,806)
	$ 90,954	$ 21,260

Property and equipment consist of an in-orbit satellite constellation, ground equipment, and support equipment located in various countries around the world. During 2004, the Company began construction of a gateway located in Florida. Construction was completed in July 2005 with a cost of $2.9 million. During 2005, the Company began construction of a gateway located in Alaska. Through December 31, 2005, actual costs incurred were approximately $3.3 million. The Alaska gateway construction was completed by June 30, 2006 for a total cost of $4.8 million.

As of September 30, 2006 and December 31, 2005, capitalized interest included within Spare and second-generation satellites and launch costs was $920,000 and $0, respectively. The amount of interest capitalized during each of the three and nine month periods ended September 30, 2006 was $920,000. No interest was capitalized during 2005.

Note 5: Accrued Expenses

Accrued expenses consist of the following (in thousands):

	September 30, 2006	December 31, 2005
Accrued compensation and benefits	$ 5,858	$ 1,926
Accrued professional fees	1,055	582
Accrued property and other taxes	4,526	1,253
Accrued commissions	1,020	673
Customer deposits	1,085	1,055
Accrued pension costs – current portion	279	2,138
Warranty reserve	1,224	977
Other accrued expenses	2,379	2,880
	$ 17,426	$ 11,484

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

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

	Three months ended		Nine months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Balance, at the beginning of period	$ 1,288	$ 584	$ 977	$ 568
Provision	321	541	1,323	896
Utilization	(385)	(285)	(1,076)	(624)
Balance, at the end of period	$ 1,224	$ 840	$ 1,224	$ 840

Note 6: Payables to Affiliates

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

	September 30, 2006	December 31, 2005
QUALCOMM	$ 8,183	$ 2,758
Thermo Capital Partners	860	201

	$	9,043	$	2,959

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the three and nine months ended September 30, 2006, total expenses were approximately $0 and $20,000, respectively. For the three and nine months ended September 30, 2005, total expenses were approximately $0 and $51,000, respectively. For each of the three and nine months ended September 30, 2006 and 2005, the Company also recorded $36,000 and $108,000, 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. The balance at September 30, 2006, includes $686,000 that became payable to Thermo as a result of Globalstar's conversion from a limited liability company to a corporation.

Note 7: Other Related Party Transactions

During 2005, Globalstar issued separate purchase orders for additional phone equipment and accessories under the terms of previously executed commercial agreements with QUALCOMM that aggregate to a total commitment balance of approximately $158.0 million. Approximately $107.0 million of the $158.0 million consists of a new generation of phones and fixed user terminals, car kits and accessories, which QUALCOMM began delivering in October 2006. The remaining $51.0 million consists of phones and accessories under the original commercial agreement and was 99% fulfilled as of September 30, 2006.

Within the terms of the commercial agreements, the Company paid QUALCOMM approximately 15% to 25% of the total order as advances for inventory. As of September 30, 2006 and December 31, 2005, total advances to QUALCOMM for inventory were $16.9 million, and $13.5 million, respectively. Under the new agreements, Globalstar did not receive any additional discounts from QUALCOMM. The total orders placed with QUALCOMM as of September 30, 2006 and December 31, 2005 were approximately $186.7 million and $182.1 million, with outstanding commitment balances of approximately $109.3 million and $136.0 million, respectively.

Purchases from Affiliates

Total purchases from affiliates are as follows (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
QUALCOMM	$ 13,933	$ 10,371	$ 49,574	$ 37,111
Other affiliates	69	23	88	141
Total	$ 14,002	$ 10,394	$ 49,662	$ 37,252

Revenues from Affiliates

Total usage revenues from affiliates for the three and nine months ended September 30, 2006 were $0.8 million and $1.3 million, respectively. Total usage revenues from affiliates for the three and nine months ended September 30, 2005 were $0.2 million and $0.6 million, respectively. Total equipment revenues from affiliates for the three and nine months ended September 30, 2006 were $1.1 million and $3.4 million, respectively. Total equipment revenues from affiliates for the three and nine months ended September 30, 2005 were $1.5 million and $3.4 million, respectively. Affiliates include Qualcomm and Globalstar Australia PTY Limited, the independent gateway operator in Australia, which is 50% owned by Columbia Ventures Corporation.

Note 8: Pension and Other Employee Benefit Plans

Components of the net periodic benefit cost of the Company's contributory defined benefit pension plan were as follows (in thousands):

	Three months ended September 30		Nine months ended September 30,	
	2006	2005	2006	2005
Service cost	$ —	$ —	$ —	$ —
Interest cost	184	184	551	551
Expected return on plan assets	(174)	(150)	(523)	(449)
Actuarial loss, net	23	13	68	39
Net periodic benefit cost	$ 33	$ 47	$ 96	$ 141

Note 9: Income Taxes

Until January 1, 2006, the Company was treated as a partnership for U.S. tax purposes. Generally, taxable income or loss, deductions and credits were passed through to members. The Company 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, the Company 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, the Company 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, the Company takes into account various factors including the expected level of future taxable income and available tax planning strategies. The Company determined that it was more likely than not that the entire deferred tax asset would not be recognized; therefore, it established a valuation allowance of $182.7 million, resulting in recognition of a net deferred tax

benefit of $21.4 million. The Company will continue to assess the recoverability of its gross deferred tax assets to ensure that, if and when it is more likely than not to be able to utilize more of the deferred tax asset, it will be able to reduce the valuation allowance accordingly.

Prior to January 1, 2006, the Company's foreign corporate subsidiaries calculated their tax expense under SFAS No. 109. Based upon the Canadian subsidiaries' results of operations between January 1, 2005 and September 30, 2005 and their expected profitability in the fourth quarters of 2005 and in 2006, the Company concluded, effective September 30, 2005, that it is more likely than not that all of the remaining Canadian net deferred tax assets will be realized. As a result, in accordance with SFAS No. 109, the valuation allowance applied to such net deferred tax assets was reversed in the third quarter of 2005. Reversal of the valuation allowance resulted in a non-cash income tax benefit in the third quarter of 2005 totaling $4.2 million.

For interim reporting purposes, for the three and nine month periods ended September 30, 2006 and 2005, the Company estimated the effective tax rate of the group by analyzing each company and each tax jurisdiction's rates to determine the appropriate effective tax rate. The reversal of the allowance on the Canadian deferred assets and the recognition of the deferred tax asset upon a change of tax status were considered discrete events and therefore were not taken into account when determining the estimated tax rate. For the three month period ended September 30, 2006, the effective tax rate was 53%. For the nine month period ended September 30, 2006, the recognition of the $21.4 million net deferred tax benefit upon conversion to a C corporation was greater than the income tax expense incurred during the period, resulting in an overall tax benefit even though the Company was profitable for the period. For the three month period ended September 30, 2005, the effective tax rate after taking into account the reversal of the Canadian valuation allowance (which resulted in a $4.2 million net deferred tax benefit) was greater than the expense incurred during the period providing for an overall tax benefit even though the Company was profitable for the period. For the nine month period ended September 30, 2005, the effective tax rate after taking into account the reversal of the allowance on the deferred tax asset discussed above was 8.1%.

Pro forma net income and pro forma earnings per share for the three and nine months ended September 30, 2005 have been calculated as if the Company had been a C corporation for federal income tax purposes.

Note 10: Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," establishes standards for reporting and displaying comprehensive income and its components in shareholders' equity. Comprehensive income 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 (in thousands):

	Three months ended September 30		Nine months ended September 30,	
	2006	2005	2006	2005
Net income	$ 2,701	$ 7,872	$ 24,353	$ 10,728
Other comprehensive income:				
Foreign currency translation adjustments	134	(28)	1,866	(294)
Minimum pension liability adjustment	—	(339)	—	(1,017)
Total comprehensive income	$ 2,835	$ 7,505	$ 26,219	$ 9,417

Note 11: Incorporation in 2006

In preparation for meeting its commitments to register Globalstar shares of common stock under the Securities Exchange Act of 1934, Globalstar elected to be taxed as a C corporation effective January 1, 2006. Effective March 17, 2006, Globalstar was converted from a limited liability company into a corporation under Delaware law. On that date, the Company's 61,947,654 issued and outstanding membership units (adjusted for a subsequent six-for-one stock split - see Note 17) were automatically converted into a like number of shares of common stock, its limited liability company agreement was replaced by a certificate of incorporation and bylaws, and its name was changed to Globalstar, Inc. In connection with its conversion into a corporation, the Company established three classes of $0.0001 par value common stock, Series A (300,000,000 shares authorized); Series B (20,000,000 shares authorized); and Series C (480,000,000 shares authorized). All classes of common stock had identical rights and

privileges except with respect to their rights to elect directors. Series A holders were entitled to elect two directors, Series B holders to elect one director, and Series C holders to elect up to five directors. Under the applicable Delaware statute, all assets and liabilities of the limited liability company became the property of and were deemed to be assumed by the corporation. On October 25, 2006, the Company amended and restated its certificate of incorporation to, among other things, create a single class of Common Stock. See Note 17.

Note 12: Globalstar Financing Transaction

As required by the lender under the Company's credit agreement discussed below, the Company executed an agreement with Thermo Funding Company LLC ("Thermo Funding Company"), an affiliate of Thermo, to provide Globalstar up to an additional $200.0 million of equity via an irrevocable standby stock purchase commitment. The irrevocable standby purchase commitment allows the Company to put up to 12,371,136 shares of its Common Stock to Thermo Funding Company at a predetermined price of approximately $16.17 per share when the Company requires additional liquidity or upon the occurrence of certain other specified events. Thermo Funding Company also may elect to purchase the shares at any time. Minority stockholders of Globalstar as of June 15, 2006 who are accredited investors and who received at least thirty-six shares of Globalstar Common Stock as a result of the Old Globalstar bankruptcy will be provided an opportunity to participate in this financing. As of September 30, 2006, Thermo Funding Company had purchased 927,840

shares of Common Stock for an aggregate purchase price of $15.0 million. On December 5, 2006, Thermo Funding Company elected to purchase an additional 2,000,000 shares of Common Stock for an aggregate purchase price of $32.3 million. See Note 17.

On August 16, 2006, the Company entered into an amended and restated credit agreement with Wachovia Investment Holdings, L.L.C., as administrative agent and swingline lender, and Wachovia Bank, National Association, as issuing lender, which was subsequently amended on September 29, 2006 and October 26, 2006. The amended and restated credit agreement provides for a $50.0 million revolving credit facility and a $100.0 million delayed draw term loan facility. The delayed draw term loan may be drawn after January 1, 2008 and prior to August 16, 2009, but only if the Company has received aggregate net cash proceeds of $200.0 million from sales, after April 24, 2006, of the Company's common stock (including sales pursuant to the irrevocable standby stock purchase agreement) prior to the draw date and if, after giving effect to the delayed draw term loan and thereafter at the end of each quarter while the delayed draw term loan is outstanding, the Company's consolidated senior secured leverage ratio does not exceed 3.5 to 1.0. In addition to the $50.0 million revolving and $100.0 million delayed draw term loan facilities, the amended and restated credit agreement permits the Company to incur additional term loans on an equally and ratably secured, *pari passu* basis in an aggregate amount of up to $150.0 million (plus the amount of any reduction in the delayed draw term loan facility or prepayment of the delayed draw term loan described above resulting from sales of common stock or any additional term loans) from the lenders under the credit agreement or other banks, financial institutions or investment funds approved by the Company and the administrative agent. The Company has not received any commitments for these additional term loans. These additional term loans may be incurred only if no event of default then exists, if the Company is in pro-forma compliance with all of the financial covenants of the credit agreement, and if, after giving effect thereto, the Company's consolidated total leverage ratio does not exceed 5.5 to 1.0.

All revolving credit loans will mature on June 30, 2010 and all term loans will mature on June 30, 2011. Revolving credit loans will 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 will bear interest at LIBOR plus 6.0% or the greater of the prime rate or Federal Funds rate plus 5.0%, and the delayed draw term loan facility bears an annual commitment fee of 2.0% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. To hedge a portion of the interest rate risk with respect to the delayed draw term loans, the Company entered into a five-year interest rate swap agreement (see Note 16). The loans may be prepaid without penalty at any time. The Company's indebtedness under the agreement is guaranteed by its principal domestic subsidiaries and is secured by a first lien on its and their property. The agreement contains covenants limiting the Company's ability to dispose of assets, change its business, merge, make acquisitions, incur indebtedness or liens, pay dividends, make investments or engage in certain transactions with its affiliates. Additionally, the agreement contains covenants requiring Globalstar to maintain certain financial and operating covenants and restricting capital expenditures.

As of September 30, 2006, $23.3 million was drawn under the $50.0 million revolving credit facility. As of September 30, 2006, the undrawn amounts on the revolving credit facility and delayed draw term loan facility available to the Company were $26.7 million and $100.0 million, respectively. For the nine months ended September 30, 2006, the weighted average annualized interest rate on the outstanding revolving credit loans was 9.96%.

Note 13: Equity Incentive Plan

On July 12, 2006, the Company's board of directors adopted and a majority of the Company's stockholders approved the Globalstar, Inc. 2006 Equity Incentive Plan ("Equity Plan"), which became effective upon the registration of the Company's common stock under the Securities Act of 1933 in November 2006. The purpose of the Equity Plan is to make available incentives that will assist the Company in attracting, retaining and motivating employees, directors and consultants whose contributions are essential to its success. The Company may provide these incentives through the grant of stock options, stock appreciation rights, restricted stock capitalize purchase rights, restricted stock bonuses, restricted stock units, performance shares or performance units. The Equity Plan is administered by the Compensation Committee of the board of directors. As of September 30, 2006, no grants had been made under the Equity Plan. On November 9, 2006, the Company registered 1.2 million shares of its Common Stock for issuance under the Equity Plan and, on November 10, 2006, the Compensation Committee authorized restricted stock and restricted stock unit awards for an aggregate of approximately 296,000 shares of Common Stock to substantially all the Company's employees.

Note 14: Litigation

From time to time, the Company is involved in various 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. The Company is involved in certain litigation matters as discussed below.

On May 26, 2005, Loral, filed a motion for an order in its Delaware bankruptcy case under Rule 2004 seeking to compel Globalstar and certain affiliates and individuals to produce documents and appear for oral examination. The matter involved Globalstar's management of Government Services, L.L.C. ("GSLLC"), in which Loral holds a 25 percent minority interest, and alleged breach of fiduciary duty by the directors of GSLLC. On October 17, 2006, Globalstar and Loral agreed to settle this litigation. See Note 17 for further details.

On January 13, 2006, Elsacom N.V., an independent gateway operator whose territories include portions of Central and Eastern Europe and North Africa, served Globalstar with a notice of arbitration pursuant to a dispute resolution provision in its Satellite Services Agreement. The dispute stems from the Company's decision in the fall of 2005 to realign coverage of the two gateways serving Western and Central Europe. Elsacom has not specified the amount of damages that it is seeking. Elsacom asserts that the realignment diminishes its rights under its Satellite Services Agreement. Globalstar disagrees and intends to defend its decision vigorously. The arbitration is scheduled to be held in January 2007.

Note 15: Geographic Information

Revenue by geographic location, presented net of eliminations for intercompany sales, was as follows for the three and nine month periods ended September 30, 2006 and 2005 (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2006	2005	2006	2005
Service:				
United States	$ 15,528	$ 10,092	$ 35,288	$ 26,101

Canada	9,345	9,703	25,880	23,885
Europe	1,453	758	4,215	3,238
Central and South America	911	1,145	2,976	2,394
Others	412	512	1,492	1,557
Total service revenue	27,649	22,210	69,851	57,175

Subscriber equipment:				
United States	6,133	12,280	18,710	18,419
Canada	1,796	2,939	6,746	8,058
Europe	634	942	3,924	2,737
Central and South America	941	399	3,146	494
Others	1,542	1,780	5,059	3,992
Total subscriber equipment revenue	11,046	18,340	37,585	33,700
Total revenue	$ 38,695	$ 40,550	$ 107,436	$ 90,875

Note 16: Interest Rate Derivative

In July 2006, in connection with entering into its credit agreement, which provides for interest at a variable rate (see Note 12), the Company entered into a five-year interest rate swap agreement. The interest rate swap agreement reflected a $100.0 million notional amount at a fixed interest rate of 5.64%. As of September 30, 2006, the fair value of the interest rate swap agreement was $2.9 million which is reflected in the Company's Consolidated Balance Sheet in "Other non-current liabilities." The change in fair value for the three months ended September 30, 2006, of approximately $2.9 million, was charged to "Interest rate derivative gain (loss)" in the accompanying Consolidated Statement of Operations.

Note 17: Subsequent Events

On October 17, 2006, Globalstar and Loral agreed to settle the litigation described under Note 14. Globalstar agreed to pay $0.5 million in cash to Loral to settle the litigation and to acquire from Loral its 25% interest in Globalstar's 75% owned subsidiary, GSLLC. The Delaware court approved the settlement on November 22, 2006, and payment was made on December 4, 2006. Globalstar now owns 100% of GSLLC.

On October 25, 2006, the Company filed an amended and restated certificate of incorporation, which among other things, converted each share of the Company's three series of common stock into one share of a single series of Common Stock. Immediately following the filing of the amended and restated certificate of incorporation, a six-for-one stock split (in the form of a five-shares-for-one-share stock dividend), which had been pre-approved by the Company's board of directors, was effected. All references to shares of Common Stock and membership interests and their respective per-unit amounts in these consolidated financial statements and notes to consolidated financial statements have been restated to reflect the effect of this stock split on a retroactive basis as if it had occurred on January 1, 2005. Except where otherwise expressly indicated, the information in these notes also gives effect to the conversion of the Company's three series of common stock into a single series of Common Stock.

On November 7, 2006, the Company completed its initial public offering and sold 7,500,000 shares of its Common Stock. The Company received cash proceeds, net of underwriting fees, of approximately $118.6 million.

On November 30, 2006, the Company and Alcatel Alenia Space France ("Alcatel") entered into a definitive contract pursuant to which Alcatel 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 Globalstar's second-generation satellite constellation. Under the contract, Alcatel also will provide launch support services and mission operations support services. Globalstar will contract separately with other providers for launch services and launch insurance for the satellites. The total contract price will be approximately € 661.0 million (approximately $871.0 million at a conversion rate of € 1.00 = $1.3177), subject to reduction by approximately € 28.0 million (approximately $36.9 million) if Globalstar elects to accelerate construction and delivery of the second batch of satellites. Of the € 661.0 million, approximately € 620.0 million ($816.9 million) will be paid for the design, development and manufacture of the satellites and approximately € 41.0 million ($54.0 million) will be paid for launch and mission support services. Globalstar also is obligated to pay Alcatel up to $75.0 million in bonus payments depending upon the fulfillment of various conditions, including Globalstar's cumulative EBITDA exceeding certain projections, Alcatel's achievement of the specified delivery schedule and satisfactory operation of the satellites after delivery. Approximately € 146.8 million ($190.0 million) of the purchase price may be paid by Globalstar in dollars at a fixed exchange rate of € 1.00 = $1.2940. The approximately €12.4 million ($16.0 million) paid by Globalstar to Alcatel pursuant to an Authorization to Proceed dated October 5, 2006, as amended, will be credited against payments to be made by Globalstar under the contract. Globalstar will establish and maintain an escrow account with a commercial bank to secure its payment obligations under the contract, with the amount of the escrow account being not less than the next two quarterly payments required by the contract. The initial escrow deposit will be € 40.0 million. Globalstar and Alcatel were required to enter into an escrow agreement by December 12, 2006, which date subsequently was extended to December 22, 2006. If they fail to do so, the contract terminates. Globalstar must obtain the consent of its lenders to establish the escrow account. Payments under the contract will begin in the fourth quarter of 2006 and will extend into the fourth quarter of 2013 unless Globalstar elects to accelerate the delivery of the second batch of satellites. The contract requires Alcatel to commence delivery of the satellites in the third quarter of 2009, with deliveries continuing until the third quarter of 2013, unless Globalstar elects to accelerate deliveries. If Globalstar elects to accelerate delivery of the second batch of satellites, it is contemplated that all of the satellites will be delivered by the third quarter of 2010.

On December 5, 2006, Thermo Funding Company purchased an additional 2,000,000 shares of the Company's common stock under its irrevocable standby stock purchase agreement for an aggregate purchase price of approximately $32.3 million.

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

Forward-Looking Statements

In addition to current and historical information, this Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future operations, prospects, potential products, services, developments and business strategies. These statements can, in some cases, be identified by the use of terms such as "may," "will," "should," "could," "would," "intend," "expect," "plan," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," the negative of such terms or other comparable terminology. Forward-looking statements, such as the statements regarding our ability to develop and expand our business, our ability to manage costs, our ability to exploit and respond to technological innovation, the effects of laws and regulations (including tax laws and regulations) and legal and regulatory changes, the opportunities for strategic business combinations and the effects of consolidation in our industry on us and our competitors, our anticipated future revenues, our anticipated capital spending (including for future satellite procurements and launches), our anticipated financial resources, our expectations about the future operational performance of our satellites (including their projected operational lives), the expected strength of and growth prospects for our existing customers and the markets that we serve, and other statements contained in this report regarding matters that are not historical facts, involve predictions. These and similar statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by the statements. Such risks and uncertainties include, among others, those listed in Part II Item 1A "Risk Factors" of this Report. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this Report to reflect actual results or future events or circumstances.

This Management Discussion and Analysis of Financial Condition should be read in conjunction with the Management Discussion and Analysis of Financial Condition and information included in our Registration Statement on Form S-1.

Overview

We are a leading 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 and reliable service at all times and locations. Using in-orbit satellites and ground stations, which we call gateways, we offer voice and data communications services to government agencies, businesses and other customers in over 120 countries.

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

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

- favorable market reaction to new pricing plans with lower service charges;

- awareness of the need for remote and reliable communication services;
- increased demand for reliable communication services by disaster and relief agencies and emergency first responders;
- improved voice and data transmission quality; and
- a general reduction in prices of user equipment.

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

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

- *Constellation life and health.* Our current satellite constellation is aging. We plan to launch our eight spare satellites during 2007. Assuming these launches are successful, we believe our current satellite constellation will provide a commercially acceptable quality of service into 2010. However, nine of our satellites have failed in orbit and others have encountered problems that, to date, have been remedied. If the health of our current constellation were to decline more rapidly than we expect and we were unable to offer commercially acceptable service until we can deploy our second-generation constellation, which we expect to do beginning in 2009, our number of subscribers, revenue and cash flow would be negatively impacted.

- *Competition and pricing pressures.* We face increased competition from both the expansion of terrestrial-based cellular phone systems and from other mobile satellite service providers. For example, Inmarsat plans to commence offering satellite services to handheld devices in the United States around 2008, and several competitors, such as ICO Global Communications Company, have received financing to deploy new satellite constellations. Increased numbers of competitors, and the introduction of new services and products by competitors, increases competition for subscribers and pressures all providers, including us, to reduce prices. Increased competition may result in loss of subscribers, decreased revenue, decreased gross margins, increased cost per gross addition, higher churn rates, and, ultimately, decreased profitability and cash flows.

- *Technological changes.* It is difficult for us promptly to match major technological innovations by our competitors because substantially modifying or replacing our basic technology, satellites or gateways is time consuming and very expensive. Approximately 43% of our total assets at

September 30, 2006 represented fixed assets. Although we believe our current technology and fixed assets are competitive with those of our competitors, and we plan to procure and deploy our second-generation satellite constellation and upgrade our gateways and other ground facilities, we are vulnerable to the unexpected introduction of superior technology by our competitors.

· *Capital expenditures.* Launching our eight spare satellites to augment our current constellation will cost approximately $110.0 million, of which $65.9 million had been paid or accrued by September 30, 2006. We plan to fund the balance of this cost from the sale of our common stock to Thermo Funding Company pursuant to its irrevocable standby stock purchase agreement described under “Liquidity and Capital Resources—Irrevocable Standby Stock Purchase Agreement.” Procuring and deploying our second-generation satellite constellation and upgrading our gateways and other ground facilities will cost $1.0 to $1.2 billion, which we expect will be reflected in capital expenditures through 2014. On November 30, 2006, we entered into a €661.0 million (approximately $871.0 million) contract with Alcatel Alenia Space France (“Alcatel”) for the construction of our second-generation constellation. See “Liquidity and Capital Resources — Contractual Obligations and Commitments.” We plan to fund approximately $400.0 million of the total $1.0 to $1.2 billion from the proceeds of our initial public offering, the $100.0 million delayed draw term loans under our credit agreement and the remaining proceeds from sales of our common stock under the standby stock purchase agreement. We plan to fund the remaining cost of approximately $600.0 million to $800.0 million from cash generated by our business. If our future revenues or profitability are substantially below our expectations or the conditions requiring Thermo Funding Company to purchase the stock do not occur and Thermo Funding Company does not elect to purchase the stock during the term of the irrevocable standby stock purchase agreement, we will require additional financing, which may be

difficult or expensive to obtain, or we will have to modify our plans. Additionally, because substantially all of these costs will be capitalized, the resulting increase in our non-cash depreciation expense could have a material adverse effect on our future results of operations.

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

· *Fluctuations in interest and currency rates.* Debt under our credit agreement bears interest at a floating rate. Therefore, increases in interest rates will increase our interest costs. A substantial portion of our revenue (34% in the first nine months of 2006) is denominated in foreign currencies. In addition, the contract for the launch of our spare satellites and a substantial majority of our obligations under the contract for our second-generation constellation are denominated in Euros. Any decline in the relative value of the U.S. dollar may adversely affect our revenues and increase our capital expenditures.

Ancillary Terrestrial Component (ATC). ATC is the integration of a satellite-based service with a terrestrial wireless service resulting in a hybrid mobile satellite services. The ATC network would extend our services to urban areas and inside buildings where satellite services currently are impractical. We believe we are at the forefront of ATC development and are actively working to be among the first market entrants. 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 ATC license.

Service Revenues. We earn revenues primarily from the sale of satellite communications services to direct customers, resellers and independent gateway operators. These services include mobile and fixed voice and data services and asset tracking and monitoring services. We generated approximately 71% and 65% of our consolidated revenues from the sale of our satellite communication services for the three and nine months ended September 30, 2006, respectively, compared to 55% and 63% for the same periods in 2005. The increase in service revenue as a percentage of total revenue resulted primarily from a continued growth in our core markets in North America and rapidly growing subscriber base, which grew from approximately 184,000 at September 30, 2005 to approximately 256,000 at September 30, 2006.

Subscriber Equipment Sales Revenue. We also sell related voice and data equipment to our customers. We generated approximately 29% and 35% of our consolidated revenues from the sale of our satellite communication equipment for the three and nine months ended September 30, 2006, respectively, compared to 45% and 37% for the same periods in 2005. As a percentage of our revenue, equipment sales decreased in 2006 as compared to 2005 primarily as a result of robust equipment sales in 2005 related to that year’s active hurricane season.

The table below sets forth amounts and percentages of our revenue by type of service and subscriber equipment sales for the three and nine months ended September 30, 2006 and 2005.

	3 Months ended September 2006		3 Months ended September 2005		9 Months ended September 2006		9 Months ended September 2005	
	Revenue	% of Total Rev	Revenue	% of Total Rev	Revenue	% of Total Rev	Revenue	% of Total Rev
Service Revenue:								
Mobile	$ 22,414	58%	$ 17,526	43%	$ 54,345	51%	$ 43,501	48%
Fixed	2,102	5%	1,799	4%	5,908	5%	4,721	5%
Data	444	1%	270	1%	1,122	1%	823	1%
Simplex	491	1%	211	1%	1,218	1%	461	1%
IGO	1,991	5%	1,861	5%	5,883	5%	5,525	6%
Other(1)	207	1%	543	1%	1,375	1%	2,144	2%
Total Service Revenue	**27,649**	**71%**	**22,210**	**55%**	**69,851**	**65%**	**57,175**	**63%**
Subscriber Equipment Sales:								
Mobile	6,036	16%	12,413	31%	19,001	18%	19,574	22%
Fixed	1,706	4%	1,246	3%	4,821	4%	3,212	4%
Data	615	2%	378	1%	1,812	2%	759	1%
Accessories/Misc	2,689	7%	4,303	11%	11,951	11%	10,155	11%
Total Subscriber Equipment Sales	**11,046**	**29%**	**18,340**	**45%**	**37,585**	**35%**	**33,700**	**37%**
Total Revenue	**$ 38,695**	**100%**	**$ 40,550**	**100%**	**$ 107,436**	**100%**	**$ 90,875**	**100%**

(1) Includes Engineering Services and activation fees

Operating Expenses. Our operating expenses are comprised principally of:

- Cost of services, which are costs directly related to the operation and maintenance of our network, such as satellite tracking and monitoring, gateway monitoring, trouble shooting and sub-system maintenance, and the ordering, billing and provisioning of our services, including customer care and phone activations;

- Cost of subscriber equipment sales, which is the recognition of inventory carrying cost into expense when equipment is sold;

- Marketing, general and administrative expenses, which are the salaries and related costs, including expenses related to our 2006 Equity Incentive Plan and other employee benefits, for employees other than those involved in operations and engineering, and the marketing and administrative costs of operating our business; and

- Depreciation and amortization, which represent the depreciation and amortization of our space and ground facilities, property and equipment, as well as amortization of certain intangible assets.

Our increased sales and number of subscribers have caused increases both in our cost of subscriber equipment and in our marketing, general and administrative expenses. We expect to experience growth in general and administrative costs associated with increased revenue, such as bad debt allowance, human resources and collections, as well as costs associated with being a public company including compliance costs related to the requirements of the Sarbanes-Oxley Act. We anticipate these compliance costs will be approximately $1.0 to $1.5 million in 2007. We expect the rate of growth of these costs to be substantially lower than the growth rate of our revenue. Acquisition of new fixed assets, especially gateways acquired from independent gateway operators and new gateways built by us, has increased our depreciation and amortization expense.

Compensation Expense. On November 10, 2006, the compensation committee of our board of directors authorized restricted stock and restricted stock unit awards for an aggregate of approximately 296,000 shares of Common Stock to substantially all our employees (see Note 13 to the unaudited interim consolidated financial statements). As a result of these awards, we will incur a pre-tax non-cash charge of approximately $1.2 million in the fourth quarter of 2006 and approximately $3.5 million will be amortized over the shares' remaining three-year vesting period.

Operating Income. Our operating income grew from an operating income of $12.5 million for the nine months ended September 30, 2005, to operating income of $14.5 million for the nine months ended September 30, 2006. Our operating income grew between 2005 and 2006 due principally to increased revenue which resulted from growth in our number of subscribers from approximately 184,000 to 256,000.

Independent Gateway Acquisition Strategy

Currently 16 of the 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. 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 strategy to establish operations in multiple territories with reduced demands on its capital. In addition, for political or other reasons, there are territories in which 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. 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 we may invest in foreign acquisitions without the consent of our lenders.

In February 2005, we purchased the Venezuela gateway for $1.6 million in cash to be paid over four years. Effective January 1, 2006, we acquired the Central American gateway and other real property assets for $5.2 million, paid, or to be paid, as explained in Note 3 to the unaudited interim consolidated financial statements. See also "Liquidity and Capital Resources - Contractual Obligations and Commitments" below. Because independent gateway operations vary in size and value, we are unable to predict the timing or cost of further acquisitions.

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 revenue per user, which is an indicator of our ability to obtain effectively long-term, high-value customers;

- operating income, which is an indication of our performance and liquidity;
- 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 and pension obligations, 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.

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.

Our Liberty Plans were introduced on a limited basis in August 2004 and broadly introduced 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 Liberty 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, with the rapid acceptance of our Liberty Plans, has caused us to defer increasingly large amounts of service revenue. At September 30, 2006, our deferred revenue aggregated approximately $22.5 million. Accordingly, we expect significant revenues from 2005 and 2006 purchases of Liberty Plans to be recognized during the remainder of 2006 and in 2007 as the minutes are used or expire.

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 the independent gateway operators. Revenue from services provided to independent gateway operators is recognized based upon airtime minutes used by customers of independent gateway operators and contractual fee arrangements. Where collection is uncertain, revenue is recognized when cash payment is received.

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

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

Inventory

Inventory consists of purchased products, including fixed and mobile user terminals, accessories and gateway spare parts. Inventory acquired on December 5, 2003, through the Old Globalstar bankruptcy proceedings, was stated at fair value at the date of our acquisition. Subsequent inventory transactions are stated at the lower of cost or market. At the end of each quarter, product sales and returns from the previous twelve months are reviewed and any excess and obsolete inventory is written off. Cost is computed using the first-in, first-out (FIFO) method. Inventory allowances for inventories with a lower market value or that are slow moving are recorded in the period of determination.

Globalstar System, Property and Equipment

Our Globalstar System assets include costs for the design, manufacture, test, and launch of a constellation of low earth orbit satellites, including in-orbit spare satellites, which we refer to as the space segment, and primary and backup terrestrial control centers and gateways, which we refer to as the ground segment. Loss from an in-orbit failure of a satellite is recognized as an expense in the period it is determined that the satellite is not recoverable.

The carrying value of the Globalstar System is reviewed for impairment whenever events or changes in circumstances indicate that the recorded value of the space segment and ground segment, taken as a whole, 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.

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. For this purpose, we have estimated that our satellites have an estimated useful life of 10 years from commencement of service, or through December 31, 2009. To verify the life of our satellites, we commissioned a report by an independent consultant to assess the health and life of our current constellation. 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, generally five years. We perform ongoing evaluations of the estimated useful lives of our property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. Maintenance and repair items are expensed as incurred.

Income Taxes

Until January 1, 2006, we were treated as a partnership for U.S. tax purposes. Generally, our taxable income or loss, deductions and credits were passed through to our members. We did have some corporate subsidiaries that required a tax provision or benefit using the asset and liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (SFAS No. 109). Effective January 1, 2006, we elected to be taxed as a C corporation in the United States. When an enterprise changes its tax status from non-taxable to taxable, under SFAS No. 109 the effect of recognizing deferred tax assets and liabilities is included in income from continuing operations in the period of change. As a result, we recognized a gross deferred tax asset of $204.2 million and a gross deferred tax liability of $0.1 million on January 1, 2006. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors including the expected level of future taxable income and available tax planning strategies. We determined that it was more likely than not that we would not recognize the entire deferred tax asset; therefore, we established a valuation allowance of $182.7 million, resulting in recognition of a net deferred tax benefit of $21.4 million. We monitor the situation to ensure that, if and when we are more likely than not to be able to utilize more of the deferred tax asset, we will be able to reduce the valuation allowance accordingly.

Spare and Second-Generation Satellites and Launch Costs

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 2002, Old Globalstar recorded an impairment of these costs, and at December 31, 2002 they were carried at $24.2 million. All eight satellites have been completed and are being readied for launch. Depreciation of these assets will not begin until the satellites are placed in service. As of September 30, 2006 and December 31, 2005, these assets were recorded at $66.6 million and $3.0 million, respectively, of which $0.9 million was based on our allocation of the Reorganization cost on December 5, 2003. As of September 30, 2006 and December 31, 2005, capitalized interest included within spare and second-generation satellites and launch costs was $920,000 and $0, respectively. The amount of interest capitalized during each of the three and nine month periods ended September 30, 2006 was $920,000. No interest was capitalized during 2005. We expect to launch these eight additional satellites during 2007.

We have initiated the process of procuring our second-generation satellite constellation and had incurred costs of approximately $0.8 million as of September 30, 2006. Depreciation of these assets will not begin until the satellites are placed in service. The constellation will have an estimated useful life of 15 years and will be depreciated over that time period. See "Liquidity and Capital Resources - Contractual Obligations and Commitments" for further details.

Pension Obligations

We have various company-sponsored retirement plans covering certain current and past U.S.-based employees. Until June 1, 2004, substantially all of Old Globalstar's and our employees and retirees who participated and/or met the vesting criteria for the plan were participants in the Retirement Plan of Space Systems/Loral, Inc. (the ''Loral Plan''), a defined benefit pension plan. The accrual of benefits in the Old Globalstar segment of the Loral Plan was curtailed, or frozen, by the administrator of the Loral Plan as of October 23, 2003. Prior to October 23, 2003, benefits for the Loral Plan were generally based upon compensation, length of service with the company and age of the participant. On June 1, 2004, the assets and frozen pension obligations of the segment attributable to our employees were transferred into a new Globalstar Retirement Plan (the ''Globalstar Plan''). The Globalstar Plan remains frozen and participants are not currently accruing benefits beyond those accrued as of October 23, 2003. Our funding policy is to fund the Globalstar Plan in accordance with the Internal Revenue Code and regulations.

We account for our defined benefit pension and life insurance benefit plans in accordance with Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions* and SFAS No. 106, *Employer's Accounting for Postretirement Benefits Other than Pensions*, which require that amounts recognized in financial statements be determined on an actuarial basis. Pension benefits associated with these plans are generally based primarily on each participant's years of service, compensation, and age at retirement or termination. Two critical assumptions, the discount rate and the expected return on plan assets, are important elements of expense and liability measurement. We utilize the services of a third party to perform these actuarial calculations.

We determine the discount rate used to measure plan liabilities as of the December 31 measurement date for the U.S. pension plan. The discount rate reflects the current rate at which the associated liabilities could be effectively settled at the end of the year. In estimating this rate, we look at rates of return on fixed-income investments of similar duration to the liabilities in the plan that receive high, investment grade ratings by recognized ratings agencies. Using these methodologies, we determined a discount rate of 5.5% to be appropriate as of December 31, 2005, which is a reduction of 0.25 percentage points from the rate used as of December 31, 2004. An increase of 1.0% in the discount rate would have decreased our plan liabilities as of December 31, 2005 by $1.6 million and a decrease of 1.0% could have increased our plan liabilities by $2.0 million.

A significant element in determining our pension expense in accordance with SFAS No. 87 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 2005.

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, 2005, we had net unrecognized pension actuarial losses of $2.6 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.

Results of Operations

Comparison of Results of Operations for the Three Months Ended September 30, 2006 and 2005 (in thousands):

	Three months ended September 30, 2006	Three months ended September 30, 2005	% Change
Revenue:			
Service revenue	$ 27,649	$ 22,210	24%
Subscriber equipment sales	11,046	18,340	-40%
Total revenue	38,695	40,550	-5%
Operating expenses:			
Cost of services (exclusive of depreciation and amortization shown separately below)	6,695	5,465	23%
Cost of subscriber equipment sales	10,902	16,057	-32%
Marketing, general and administrative	10,543	12,053	-13%
Depreciation and amortization	1,726	786	120%
Impairment of assets	—	75	-100%
Total operating expenses	29,866	34,436	-13%
Operating income	8,829	6,114	-4%
Other income (expense):			
Interest income	80	56	43%
Interest expense	(148)	(50)	196%
Interest rate derivative gain (loss)	(2,919)	—	-100%
Other income (expense)	(84)	(119)	-29%
Total other income (expense)	(3,071)	(113)	2618%
Income before income taxes	5,758	6,001	-4%
Income tax expense (benefit)	3,057	(1,871)	N/A
Net income	$ 2,701	$ 7,872	-66%

Revenue. Total revenue decreased by $1.9 million, or approximately 5%, to $38.7 million for the three months ended September 30, 2006, from $40.6 million for the three months ended September 30, 2005, due principally to the unusually high subscriber equipment sales in the third quarter of 2005 related to the active hurricane season, which was not repeated in 2006. The decrease in equipment revenue was partially offset by an increase in service revenue. Our average retail revenue per user during the three months ended September 30, 2006 decreased by 7% to $69.40 from $74.88 for the three months ended September 30, 2005. This decline resulted from the rapid acceptance of our Liberty Plans, which were introduced in the second quarter of 2005 and which allow subscribers to pay for a year of service in advance. Liberty Plans reduce current period revenue because revenue is not recognized until minutes are used or expire. Unused minutes are recognized as revenue at the expiration of a Plan. Subscribers generally do not use all of the minutes for which they have paid. Accordingly, we generally expect an increase in our average retail revenue per user in later periods as the minutes related to Liberty Plans sold in prior periods are used or expire. Average monthly subscriber churn dropped to 0.9% for the three months ended September 30, 2006 compared to 1.0% for the three months ended September 30, 2005.

Service Revenue. Service revenue increased $5.4 million, or approximately 24%, to $27.6 million for the three months ended September 30, 2006, from $22.2 million for the three months ended September 30, 2005. This increase was driven by a 39% subscriber growth over the twelve month period from September 30, 2005 to September 30, 2006.

Subscriber Equipment Sales. Subscriber equipment sales decreased by $7.3 million, or approximately 40%, to $11.0 million for the three months ended September 30, 2006, from $18.3 million for the three months ended September 30, 2005. This decrease was due to the high volume of equipment sales in the third quarter of 2005 as a result of an active hurricane season.

Operating Expenses. Total operating expenses decreased $4.6 million, or approximately 13%, to $29.9 million for the three months ended September 30, 2006, from $34.4 million for the three months ended September 30, 2005. This decrease was due primarily to higher cost of subscriber equipment in the third quarter of 2005 consistent with higher equipment sales in the same period.

Cost of Services. Our cost of services increased $1.2 million, or approximately 23%, to $6.7 million for the three months ended September 30, 2006, from $5.5 million for the three months ended September 30, 2005. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase for the three months ended September 30, 2006 over the three months ended September 30, 2005 was the result of the timing of certain maintenance costs and the addition of headcount and operating costs related to the acquisition of our Central American gateway.

Cost of Subscriber Equipment Sales. Cost of subscriber equipment sales decreased $5.2 million, or approximately 32%, to $10.9 million for the three months ended September 30, 2006, from $16.1 million for the three months ended September 30, 2005. This decrease was due to higher equipment sales in 2005 related to an active hurricane season as compared to the same period in 2006.

Marketing, General and Administrative. Marketing, general and administrative expenses decreased $1.5 million, or approximately 13%, to $10.5 million for the three months ended September 30, 2006, from $12.1 million for the three months ended September 30, 2005. This decrease was due primarily to commission expenses in the third quarter of 2005 related to increase in sales due to an active hurricane season as compared to the same period in 2006.

Depreciation and Amortization. Depreciation and amortization expense increased $0.9 million, or 120%, to $1.7 million for the three months ended September 30, 2006, from $0.8 million for the three months ended September 30, 2005. This increase was due primarily to the addition of depreciation associated with our Sebring, Florida gateway, which became operational in July 2005, and our gateway in Central America, which was acquired in 2006.

Operating Income. Operating income increased $2.7 million, or approximately 44%, to $8.8 million for the three months ended September 30, 2006, from $6.1 million for the three months ended September 30, 2005. The increase was due to the increased service revenue which grew $5.4 million, or 24%, more than offsetting a decline in our equipment margin. The total of our cost of services and marketing, general and administrative expenses remained relatively flat.

Interest Income. Interest income increased less than $0.1 million for the three months ended September 30, 2006. This increase was due to increased cash balances on hand and higher yields on those balances.

Interest Expense. Interest expense increased by $0.1 million, to $0.15 million for the three months ended September 30, 2006 from $0.05 million for the three months ended September 30, 2005. This increase was due to increased interest expense related to our credit facilities.

Interest Rate Derivative Gain (Loss). For the three months ended September 30, 2006, interest rate derivative gain (loss) consists of a $2.9 million change in the fair value of the interest rate swap agreement. In July 2006, in connection with entering into our credit agreement, which provides for interest at a variable rate, we entered into a five-year interest rate swap agreement to minimize the risk of variability in our borrowing costs over the term of our credit agreement. Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. The interest rate swap agreement does not qualify for hedge accounting and the changes in its fair value are recorded as “Interest rate derivative gain (loss)” over the life of the agreement.

Other Income (Expense). Other income (expense) generally consists of foreign exchange transaction gains and losses. Other expense changed by less than $0.1 million for the third quarter of 2005 as compared to the third quarter of 2006.

Income Tax Expense (Benefit). Income tax expense for the three months ended September 30, 2006 was $3.1 million, an increase of $4.9 million from last year. For the three months ended September 30, 2005, we and our domestic subsidiaries were treated as a partnership for U.S. income tax purposes and, thus, we did not have a tax provision for the domestic entities. Our Canadian subsidiary reported a net deferred tax benefit of $2.1 million as a result of reversing its remaining valuation allowance against its deferred tax assets. On January 1, 2006, we elected to be taxed as a C corporation for U.S. income tax purposes.

Net Income. Our net income decreased $5.2 million to $2.7 million for the three months ended September 30, 2006, from $7.9 million for the three months ended September 30, 2005. This decrease resulted primarily from our income tax expense and interest rate derivative loss described above.

Comparison of Results of Operations for the Nine Months Ended September 30, 2006 and 2005 (in thousands):

	Nine months ended September 30, 2006	2005	% Change
Revenue:			
Service revenue	$ 69,851	$ 57,175	22%
Subscriber equipment sales	37,585	33,700	12%
Total revenue	107,436	90,875	18%
Operating expenses:			
Cost of services (exclusive of depreciation and amortization shown separately below)	20,583	19,245	7%
Cost of subscriber equipment sales	36,671	28,273	30%

Marketing, general and administrative	31,234	28,679	9%
Depreciation and amortization	4,424	2,026	118%
Impairment of assets	—	114	-100%
Total operating expenses	92,912	78,337	19%
Operating income	14,524	12,538	16%
Other income (expense):			
Interest income	446	118	278%
Interest expense	(256)	(244)	5%
Interest rate derivative gain (loss)	(2,919)	—	-100%
Other income (expense)	(1,844)	(657)	181%
Total other income (expense)	(4,573)	(783)	484%
Income before income taxes	9,951	11,755	15%
Income tax expense (benefit)	(14,402)	1,027	N/A
Net income	$ 24,353	$ 10,728	127%

Revenue. Total revenue increased by $16.6 million, or approximately 18%, to $107.4 million for the nine months ended September 30, 2006, from $90.9 million for the nine months ended September 30, 2005, due principally to the growth in service revenue related to the additional 72,000 net subscribers we added between September 30, 2005 and September 30, 2006. Our average retail revenue per user during the nine months ended September 30, 2006 decreased by 11% to $61.61 from $69.55 for the nine months ended September 30, 2005. This decline resulted from the rapid acceptance of our Liberty Plans, which were introduced in the second quarter of 2005 and which allow subscribers to pay for a year of service in advance. These pricing Plans were extensively purchased. Liberty Plans reduce current period revenue because revenue is not recognized until minutes are used or expire. Unused minutes are recognized as revenue at the expiration of a Plan. Subscribers generally do not use all of the minutes for which they have paid. Accordingly, we expect an increase in our average retail revenue per user in later periods as the minutes related to Liberty Plans sold in prior periods are used or expire. Average monthly subscriber churn dropped slightly to 1.0% for the nine months ended September 30, 2006 compared to 1.1% in the nine months ended September 30, 2005.

Service Revenue. Service revenue increased $12.7 million, or approximately 22%, to $69.9 million for the nine months ended September 30, 2006, from $57.2 million for the nine months ended September 30, 2005. This increase was driven by our 39% subscriber growth over the twelve month period from September 30, 2005 to September 30, 2006 and increased usage of minutes related to the higher number of subscribers.

Subscriber Equipment Sales. Subscriber equipment sales increased by $3.9 million, or approximately 12%, to $37.6 million for the nine months ended September 30, 2006, from $33.7 million for the nine months ended September 30, 2005. This increase was driven by continued growth in the number of our subscribers and included sales of our Simplex appliqués and a large sale of fixed units.

Operating Expenses. Total operating expenses increased $14.6 million, or approximately 19%, to $92.9 million for the nine months ended September 30, 2006, from $78.3 million for the nine months ended September 30,

2005. This increase was due primarily to higher cost of subscriber equipment in 2006, consistent with the higher equipment sales described above.

Cost of Services. Our cost of services increased $1.3 million, or approximately 7%, to $20.6 million for the nine months ended September 30, 2006, from $19.2 million for the nine months ended September 30, 2005. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase was primarily a result of additional costs associated with adding the Sebring, Florida and Central American gateways to our network.

Cost of Subscriber Equipment Sales. Cost of subscriber equipment sales increased $8.4 million, or approximately 30%, to $36.7 million for the nine months ended September 30, 2006, from $28.3 million for the nine months ended September 30, 2005. This increase was a result of higher volume of subscriber equipment sales in 2006 as compared to 2005.

Marketing, General and Administrative. Marketing, general and administrative expenses increased $2.6 million, or approximately 9%, to $31.2 million for the nine months ended September 30, 2006, from $28.7 million for the nine months ended September 30, 2005. This increase was primarily the result of higher headcount and increased professional fees related to strengthening our internal control over financial reporting and preparing for compliance with Section 404 of the Sarbanes-Oxley Act by December 31, 2007 and to additional costs related to the consolidation of our Central American independent gateway operation.

Depreciation and Amortization. Depreciation and amortization expense increased $2.4 million, or 118%, to $4.4 million for the nine months ended September 30, 2006, from $2.0 million for the nine months ended September 30, 2005. This increase was due primarily to the depreciation expense associated with our Sebring, Florida gateway, which became operational in July 2005, and our gateway in Central America, which was acquired in 2006.

Operating Income. Operating income increased $2.0 million, or approximately 16%, to $14.5 million for the nine months ended September 30, 2006, from $12.5 million for the nine months ended September 30, 2005. The increase was due to our increased service revenue, which grew $12.7 million or 22%, and offset the effect of volume discounts on subscriber equipment sales. Our cost of services and marketing, general and administrative expenses increased $3.9 million or 8% due to the addition of gateways and increased headcount and professional fees.

Interest Income. Interest income increased $0.3 million for the nine months ended September 30, 2006. This increase was due to increased cash balances on hand and higher yields on those balances.

Interest Expense. Interest expense remained essentially flat between the nine months ended September 30, 2006 and 2005.

Interest Rate Derivative Gain (Loss). For the nine months ended September 30, 2006, interest rate derivative gain (loss) consists of a $2.9 million change in the fair value of the interest rate swap agreement. In July 2006, in connection with entering into our credit agreement, which provides for interest at a variable rate, we entered into a five-year interest rate swap agreement to minimize the risk of variability in our borrowing costs over the term of our credit agreement. Derivative instruments are recorded in the balance sheet as either assets or liabilities, measured at fair value. The interest rate swap agreement does not qualify for hedge accounting and the changes in its fair value are recorded as "Interest rate derivative gain (loss)" over the life of the agreement.

Other Income (Expense). Other income (expense) generally consists of foreign exchange transaction gains and losses. Other expense increased by $1.2 million to $1.8 million for the nine months ended September 30, 2006 as compared to $0.7 million for the nine months ended September 30, 2005. The increase was primarily the result of large Euro denominated transactions related to the launch services contract with Starsem for our eight spare satellites scheduled to be launched in 2007.

Income Tax Expense (Benefit). For the nine months ended September 30, 2006 we had an income tax benefit of $14.4 million. For the nine months ended September 30, 2005 we had an income tax expense of $1.0 million. The $15.4 million increase was a result of a $21.4 million deferred tax benefit associated with electing to be taxed as a corporation on January 1, 2006.

Net Income. Our net income increased $13.6 million to $24.4 million for the nine months ended September 30, 2006, from $10.7 million for the nine months ended September 30, 2005. This increase resulted from our income tax benefit described above.

Liquidity and Capital Resources

The following table shows our cash flows from operating, investing, and financing activities for the nine months ended September 30, 2006 and 2005:

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Net cash from operating activities	$ 12,828	$ 4,888
Net cash from investing activities	(60,149)	(6,542)
Net cash from financing activities	44,925	3,125
Effect of exchange rate changes on cash	(164)	493
Net increase (decrease) in cash and cash equivalents	$ (2,560)	$ 1,964

Our principal sources of liquidity are our credit agreement and the irrevocable standby stock purchase agreement discussed below, our existing cash and internally generated cash flow from operations.

Our principal short-term liquidity needs are to fund our working capital ($31.0 million at September 30, 2006, which our management believes is sufficient for our present requirements), to pay amounts due within 12 months for the launch of our eight spare satellites (approximately $44.1 million) and to make initial payments to procure our second-generation satellite constellation and upgrade our gateways and other ground facilities, in a total amount not yet determined, but which will include up to $104.8 million to Alcatel by December 2007 under the purchase contract for our second-generation satellites. We expect to fund these requirements with cash on hand ($17.7 million at September 30, 2006), future cash flows from operations, proceeds from the sale of our common stock to Thermo Funding Company (whose remaining commitment under its irrevocable standby stock purchase agreement was $185.0 million at September 30, 2006 and $152.7 million at December 6, 2006), and borrowings under the revolving credit facility of our credit agreement (of which $26.7 million and $50.0 million were undrawn at September 30, 2006 and December 6, 2006, respectively).

We derive additional liquidity from our Liberty Plans, which provide for payment in advance of a full year of services. Revenue is recognized as the services are provided or the contract expires. As a result, cash flow from the sale of Liberty Plans precedes recognition of the associated revenues.

In assessing our liquidity, management reviews and analyzes our current cash on-hand, the average number of days our accounts receivable are outstanding, the contractual rates that we have established with our vendors, inventory turns, foreign exchange rates, capital expenditure commitments and income tax rates.

Net Cash from Operating Activities

Net cash provided by operating activities for the nine month period ended September 30, 2006 increased to $12.8 million from $4.9 million for the nine month period ended September 30, 2005. This increase was attributable primarily to a general increase in sales activity, which included expanded sales of Liberty plans, and rapid inventory turnover.

Net Cash from Investing Activities

Cash used in investing activities was $60.1 million for the nine months ended September 30, 2006, compared to $6.6 million for the same period in 2005. This increase was the result of capital expenditures for the scheduled launch of our eight spare satellites in 2007, construction of our new gateways in Alaska and starting work on our second-generation satellite constellation. During the nine months ended September 30, 2006, we incurred costs related to the launch of our spare satellites and the development of our second-generation constellation in the amount of $56.2 million. The expenditures on property, plant and equipment decreased by $2.4 million to $3.8 million for the nine month period ended September 30, 2006 from $6.2 million for the comparable period in 2005 due primarily to increased construction activity on the Alaskan and Sebring gateways in the nine months ended September 30, 2005 than in the comparable period in 2006.

Net Cash from Financing Activities

Net cash provided by financing activities for the nine-month period ended September 30, 2006 increased by $41.8 million to $44.9 million from $3.1 million provided by financing activities the same period in 2005. The increase was the result of drawing $23.3 million of the revolving credit facility under our credit agreement, receipt of $13.0 million from Thermo Capital Partners L.L.C. ("Thermo") representing its remaining equity commitment in connection with the Reorganization, and receipt of $15.0 million from Thermo Funding Company for equity purchased pursuant to its irrevocable standby stock purchase agreement.

Capital Expenditures

Our capital expenditures consist primarily of upgrading our satellite constellation and gateways and other ground facilities. In 2005, we began construction of a new gateway in Wasilla, Alaska to cover the Alaskan territory and part of the Bering Sea. The Alaska gateway went into operation in July 2006. This gateway cost $4.8 million (excluding $0.8 million for the purchase of real property). In 2005, we also commenced capital expenditures for the launch of our eight spare satellites scheduled for 2007. The majority of the capital expenditures for this purpose will occur in 2006 and 2007. Through September 30, 2006, we had accrued or paid $65.9 million for this launch. The total expected cost for the launch of the spare satellites is approximately $110.0 million. On November 30, 2006, we entered into a contract with Alcatel for the construction of a second-generation satellite constellation. See "Contractual Obligations and Commitments" below. We intend to use cash flows from our operations, available liquidity from Thermo Funding Company's irrevocable standby stock purchase agreement and funding available from our credit agreement to fund our capital expenditures.

Cash Position and Indebtedness

As of September 30, 2006, our total cash and cash equivalents were $17.7 million and we had total indebtedness of $24.2 million, compared to total cash and cash equivalents and total indebtedness at September 30, 2005 of $15.3 million and $0.9 million, respectively.

Credit Agreement

On August 16, 2006, we entered into an amended and restated credit agreement with Wachovia Investment Holdings, LLC, as administrative agent and swingline lender, and Wachovia Bank, National Association, as issuing lender, which was subsequently amended on September 29 and October 26, 2006. The amended and restated credit agreement provides for a $50.0 million revolving credit facility and a $100.0 million delayed draw term loan facility. The delayed draw term loan may be drawn after January 1, 2008 and prior to August 16, 2009, but only if we have received aggregate net cash proceeds of $200.0 million from sales, after April 24, 2006, of our Common Stock (including sales pursuant to the irrevocable standby stock purchase agreement) prior to the draw date and if, after giving effect to the delayed draw term loan and thereafter at the end of each quarter while the delayed draw term loan is outstanding, our consolidated senior secured leverage ratio does not exceed 3.5 to 1.0. 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 $150.0 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 received any commitments for these additional term loans. These additional term loans may be incurred only if no event of default then exists, if we are in pro-forma compliance with all of the financial covenants of the credit agreement, and if, after giving effect thereto, our consolidated total leverage ratio does not exceed 5.5 to 1.0.

All revolving credit loans will mature on June 30, 2010 and all term loans will mature on June 30, 2011. 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%. At September 30, 2006, borrowings under the revolving credit facility bore interest of 11.5 %. The Company had no borrowings under the revolving credit facility at December 6, 2006. The delayed draw term loan will bear interest at LIBOR plus 6.0% or the greater of the prime rate or Federal Funds rate plus 5.0%, and the delayed draw term loan facility bears an annual commitment fee of 2.0% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. To hedge a portion of the interest rate risk with respect to the delayed draw term loans, we entered into a five-year interest rate swap agreement. See "Note 16: Interest Rate Derivative" of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report. The loans may be prepaid without penalty at any time.

We are currently in compliance with the capital expenditure, liquidity and forward fixed charge coverage ratio tests described above and the other restrictive covenants of the amended and restated credit agreement.

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 Company pursuant to which it agreed to purchase under certain circumstances up to $200.0 million of our Common Stock at a price per share of approximately $16.17, without regard to any future increase or decrease in the trading price of the Common Stock. Thermo Funding Company's obligation to purchase these shares is secured by the escrow of cash and marketable securities in an amount equal to 105% of its unfunded commitment.

The agreement terminates on the earliest of December 31, 2011, our payment in full of all obligations under the credit agreement or Thermo Funding Company's purchase of all of the stock subject to its obligations under the agreement. Thermo Funding Company may elect at any time to purchase any unpurchased stock. Thermo Funding Company elected to purchase 927,840 shares of Common Stock for an aggregate purchase price of approximately $15.0 million on June 30, 2006 and an additional 2,000,000 shares for an aggregate purchase price of approximately $32.3 million on December 5, 2006. We will not receive the entire remaining $152.7 million of proceeds of the sale of Common Stock subject to the irrevocable standby stock purchase agreement with Thermo Funding Company if the conditions requiring Thermo Funding Company to purchase the stock do not occur during the term of the agreement and Thermo Funding Company does not elect to purchase the stock voluntarily.

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) and who received thirty-six or more shares of our common stock as a result of the Old Globalstar bankruptcy, the opportunity to participate in the transactions contemplated by Thermo Funding Company's irrevocable standby stock purchase agreement on a pro rata basis on substantially the same terms as Thermo Funding Company, except that these stockholders will not be subject to the escrow

requirements described above. These stockholders, excluding stockholders who have waived their pre-emptive rights, will be entitled to purchase, and upon entering into a commitment may elect to purchase at any time thereafter, up to 785,328 additional shares of our common stock at approximately $16.17 per share in the pre-emptive rights offering.

We plan to use the proceeds from our amended and restated credit agreement and the irrevocable standby stock purchase agreement, cash generated by our business and proceeds from other equity sales or debt financings to fund the procurement and launch of our second-generation satellite constellation, upgrades to our gateways and other ground facilities and the launch of eight spare satellites to augment our current constellation, as well as for general corporate purposes.

Contractual Obligations and Commitments

During 2004, 2005 and the nine months ended September 30, 2006, we committed to purchase $186.7 million of mobile phones, services and other equipment under various commercial agreements with QUALCOMM. At September 30, 2006, we had a remaining commitment to purchase $109.3 million of equipment from QUALCOMM, which included $16.9 million of inventory advances. 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 and funds generated by our operations.

On June 1, 2004, we entered into a master services agreement with Space Systems/Loral, Inc. providing for various services related to preparing our eight spare satellites for launch. As of September 30, 2006, we had authorized Space Systems/Loral, Inc. to spend up to approximately $20.0 million related to this agreement and related task orders, and approximately $8.6 million of those charges had been incurred.

On September 19, 2005, we executed a contract with Starsem providing for Starsem to launch our eight spare satellites in two launches of four satellites each. As of September 30, 2006, we had incurred approximately $55.0 million in obligations to Starsem under the contract. Full payment under the contract will be made in Euros by April

2007. We estimate that the total cost of completing, testing and launching our eight spare satellites (including launch insurance) will be approximately $110.0 million, including payments to Starsem.

Pursuant to our agreement for the purchase of our Central American gateway, we are obligated either to redeem our common stock issued in the transaction for cash or to pay the selling stockholders, in cash or in stock, the difference between $5.2 million and the market value of the stock received. An additional 275,954 shares or approximately $3.9 million in cash could be distributed to the selling stockholders based upon the five day average closing price between November 15, 2006 and November 21, 2006 of $14.27.

On November 30, 2006, we and Alcatel entered into a definitive contract pursuant to which Alcatel 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, Alcatel also will provide launch support services and mission operations support services. We will contract separately with other providers for launch services and launch insurance for the satellites. The total contract price will be approximately € 661.0 million (approximately $871.0 million at a conversion rate of € 1.00 = $1.3177), subject to reduction by approximately € 28.0 million (approximately $36.9 million) if we elect to accelerate construction and delivery of the second batch of satellites. Of the € 661.0 million, approximately € 620.0 million ($816.9 million) will be paid for the design, development and manufacture of the satellites and approximately € 41.0 million ($54.0 million) will be paid for launch and mission support services. We are also obligated to pay Alcatel up to $75.0 million in bonus payments depending upon the fulfillment of various conditions, including our cumulative EBITDA exceeding certain projections, Alcatel's achievement of the specified delivery schedule and satisfactory operation of the satellites after delivery. Approximately € 146.8 million ($190.0 million) of the purchase price may be paid by us in dollars at a fixed exchange rate of € 1.00 = $1.2940. The approximately € 12.4 million ($16.0 million) paid by us to Alcatel pursuant to an Authorization to Proceed dated October 5, 2006, as amended, will be credited against payments to be made by us under the contract. We will establish and maintain an escrow account with a commercial bank to secure its payment obligations under the contract, with the amount of the escrow account being not less than the next two quarterly payments required by the contract. The initial escrow deposit will be € 40.0 million. Globalstar and Alcatel were required to enter into an escrow agreement by December 12, 2006, which date subsequently was extended to December 22, 2006. If they fail to do so, the contract terminates. We must obtain the consent of our lenders to establish the escrow account. Payments under the contract will begin in the fourth quarter of 2006 and will extend into the fourth quarter of 2013 unless we elect to accelerate the delivery of the second batch of satellites. The contract requires Alcatel to commence delivery of the satellites in the third quarter of 2009, with deliveries continuing until the third quarter of 2013, unless we elect to accelerate deliveries. If we elect to accelerate delivery of the second batch of satellites, it is contemplated that all of the satellites will be delivered by the third quarter of 2010.

Distribution to Thermo

The operating agreement of Globalstar LLC required that we distribute $685,848 to Thermo at the time of our conversion to a Delaware corporation, which occurred on March 17, 2006. This amount represented a deferred payment of interest that accrued from December 6, 2003 to April 14, 2004. In connection with the negotiation of our credit agreement, Thermo agreed to defer receipt of this payment until the completion of our initial public offering. As permitted by our credit agreement, we distributed the $685,848 to Thermo on December 12, 2006.

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 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 a contract with Starsem to launch our eight spare satellites and a contract with Alcatel to construct 48 low earth orbit satellites for our second-generation satellite constellation and to provide launch-related and operations support services. All payments under the Starsem contract, and a substantial majority of the payments under the Alcatel agreement, are denominated in Euros.

Our interest rate risk arises from our variable rate debt under our credit agreement, under which loans bear interest at a floating rate based on the U.S. prime rate or LIBOR. Assuming that we borrowed the entire $150.0 million in revolving and term debt available under our credit agreement, and without giving effect to the hedging arrangement described in the next sentence, a 1.0% change in interest rates would result in a change to interest expense of approximately $1.5 million annually. To hedge a portion of our interest rate risk, we have entered into a five-year interest rate swap agreement with respect to a $100.0 million notional amount at a fixed rate of 5.64%. See "Note 16: Interest Rate Derivative" of the Notes to 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 under the Securities Exchange Act of 1934 as of 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. 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, and management is required to apply its judgment in evaluating the cost benefit relationship of possible controls and procedures.

Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information we are required to disclose in reports that we file or furnish under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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

There were no material changes in our internal control over financial reporting that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We plan to continue to prepare for our first management report on internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 on December 31, 2007. As a result, we expect to make changes in our internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in various litigation matters involving ordinary and routine claims incidental to our business. Management currently believes that the outcome of these proceedings, either individually or in the aggregate, will not have a material adverse effect on our business, results of operations or financial conditions. We are involved in certain litigation matters as discussed below. For more detailed information on litigation matters outstanding please see "Legal Proceedings" in our Registration Statement on Form S-1 and Note 14 of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report.

On May 26, 2005, Loral, filed a motion for an order in its Delaware bankruptcy case under Rule 2004 seeking to compel us and certain affiliates and individuals to produce documents and appear for oral examination regarding our management of Government Services, LLC ("GSLLC"), our subsidiary formed to engage in certain sales to the U.S. government in which Loral held a 25% minority interest. On October 17, 2006 we and Loral agreed to settle the litigation. We paid $0.5 million in consideration to Loral to settle the litigation and acquired from Loral its 25% interest in GSLLC. We now own 100% of GSLLC. In addition, each party released the other with respect to certain matters in the original settlement agreement of July 10, 2003. The Delaware court approved the settlement on November 22, 2006, and payment was made on December 4, 2006.

On January 13, 2006, Elsacom N.V., an independent gateway operator whose territories include portions of Central and Eastern Europe and North Africa, served us with a notice of arbitration pursuant to a dispute resolution provision in its Satellite Services Agreement. The dispute stems from our decision in the fall of 2005 to realign coverage of the two gateways serving Western and Central Europe. Elsacom has not specified the amount of damages that it is seeking.

Elsacom asserts that the realignment diminishes its rights under its Satellite Services Agreement. We disagree and intend to defend our decision vigorously. The arbitration is scheduled to be held in January 2007.

Item 1A. Risk Factors

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

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

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

We are licensed by the U.S. Federal Communications Commission ("FCC") to provide an ancillary terrestrial component, known as ATC services, in combination with our existing communication services. If we can integrate ATC services with our existing business, we will be able to use the spectrum currently licensed to us to provide telecommunications through both our satellite and ground station system and through a terrestrial-based cellular system. If successful, this will allow us to address a broader market for our products and services by allowing us to provide communications services where satellite-based service is impractical, such as in urban areas and inside buildings, thereby increasing our revenue and profitability and the value of our licenses. However, neither we nor any other company has yet successfully integrated ATC services with satellite services, and we may be unable to do so. If we fail to do so, we will not obtain the benefits described above and any investment we make in developing ATC services will be lost.

The success of our business plan, including the integration of ATC services within our existing business, will depend on a number of factors, including:

- the level of market acceptance and demand for all of our services;
- our ability to introduce new services and products that meet this market demand;
- our ability to obtain additional business using our existing spectrum resources both in the United States and internationally;
- our ability to control the costs of developing an integrated network providing related products and services;
- our ability to integrate our satellite services with ATC services, to develop our second-generation satellites, and to upgrade our ground facilities consistent with various regulations governing ownership and operation of satellite assets and ATC services;
- our ability to partner with others, if necessary, to maximize the value of our ATC license;
- our ability to develop and deploy innovative network management techniques to permit mobile devices to transition between satellite and terrestrial modes;
- our ability to maintain the health, capacity and control of our existing satellite network, including the successful launch of spare satellites;
- our ability to contract for the design, construction, delivery and launch of our second-generation satellites and, once launched, our ability to maintain their health, capacity and control; and
- the effectiveness of our competitors in developing and offering similar services and products.

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

For the nine months ended September 30, 2006, over 90% of our revenue was derived from products and services sold through independent agents, dealers and resellers, including, outside the United States, independent gateway operators. If these third parties are unable to continue to improve their ability to market our products and services successfully, our revenue and profitability may decrease.

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

Although we derive most of our revenue from retail sales to end users in the United States, Canada, a portion of Western Europe, Central America and the northern portion of South America, either directly or through agents, dealers and resellers, we depend on independent gateway operators to purchase, install, operate and maintain gateway equipment, to sell phones and data user terminals, and to market our services in other regions where these independent gateway operators hold exclusive or non-exclusive rights. Not all of the independent gateway operators have been successful and, in some regions, they have not initiated service or sold as much usage as originally anticipated. Some of the independent gateway operators are not earning revenues sufficient to fund their operating costs. Although we have implemented a strategy for the acquisition of certain independent gateway operators when circumstances permit, we may not be able to continue to implement this strategy on favorable terms and may not be able to realize the additional efficiencies that we anticipate from this strategy. In some regions it is impracticable to consolidate the independent gateway operators either because local regulatory requirements or business or cultural norms do not permit consolidation, because the expected revenue increase from consolidation would be insufficient to justify the transaction, or because the independent gateway operator will not sell at a price acceptable to us. In those regions, our revenue and profits may be adversely affected if those independent gateway operators do not fulfill their own business plans to increase substantially their sales of services and products.

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

Our objective is to establish a worldwide service network, either directly or through independent gateway operators, but to date we have been unable to do so in certain areas of the world and we may not succeed in doing so in the future. We have been unable to find capable independent gateway operators for several important regions and countries, including Central and South Africa, India, Malaysia and Indonesia, the Philippines and certain other parts of

Southeast Asia. In addition to the lack of global service availability, cost-effective roaming is not yet available in certain countries because the independent gateway operators have been unable to reach business arrangements with

one another. This could reduce overall demand for our products and services and undermine our value for potential users who require service in these areas.

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

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

Our satellites have a limited life and may fail prematurely, which would cause our network to be compromised and materially and adversely affect our business, prospects and profitability.

Since the first Old Globalstar satellites were launched in 1998, nine have failed in orbit, and others may fail in the future. In-orbit failure may result from various causes, including component failure, loss of power or fuel, inability to control positioning of the satellite, solar or other astronomical events, including solar radiation and flares, and space debris. As our constellation has aged, the quality of our satellites’ signals has diminished, and may continue to diminish, adversely affecting the reliability of our service, which could adversely affect our results of operations, cash flow and financial condition. Although we do not incur any direct cash costs related to the failure of a satellite, if a satellite fails, we record an impairment charge reflecting its net book value.

We have been advised by our customers and others of temporary intermittent losses of signal cutting off calls in progress or preventing completions of calls when made. If these problems increase, they could affect adversely our business and our ability to complete our business plan.

Other factors that could affect the useful lives of our satellites include the quality of construction, gradual degradation of solar panels and the durability of components. Radiation induced failure of satellite components may result in damage to or loss of a satellite before the end of its expected life. As a result, our in-orbit satellites may not be fully functioning at any time.

Old Globalstar launched our first-generation constellation beginning in 1998 and ending in 2000. Eight of our nine satellite failures have been attributed to a common anomaly in the satellite communications subsystem S-band antenna. This anomaly has occurred in 17 of our other satellites, a majority of which have been or are in the process of being returned to service. In part as a response to this anomaly, we reduced our operating constellation structure from a “Walker” 48 (six satellites in each of eight planes) to a “Walker” 40 (five satellites in each of eight planes). A majority of our satellites also have experienced other anomalies which have impacted services to customers and which may in the future limit the capacity of our existing network. We have filed a notice with the FCC to (i) make further changes to the structure of our constellation to maintain or improve its performance, (ii) accommodate the launch of our eight spare satellites and (iii) reposition our satellites within the constellation in order to optimize our service, which could result in degraded service during the repositioning period.

Although there are some remote tools we use to remedy certain types of problems affecting the performance of our satellites, the physical repair of satellites in space is not feasible. We do not insure our satellites against in-orbit failures, whether such failures are caused by internal or external factors.

If we are unable to deploy our second-generation satellite constellation before our current satellite constellation ceases to provide commercially viable service, we will incur a decline in revenues and profitability.

We expect that our current satellite constellation will provide commercially viable service into 2010 and plan to deploy our second-generation satellite constellation beginning in 2009. If we are unable for any reason, including manufacturing or launch delays, launch failures, delays in receiving regulatory approvals or insufficient funds, to deploy our second-generation constellation before our current constellation ceases to provide commercially viable service, we are likely to lose subscribers, and will incur a decline in revenues and profitability as our ability to provide commercially viable service declines.

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

Natural disasters could damage or destroy our ground stations resulting in a disruption of service to our customers. We currently have the technology to safeguard our antennas and protect our ground stations during natural disasters such as a hurricane, but the collateral effects of such disasters such as flooding may impair the functioning of our ground equipment. During the Gulf Coast hurricane activity in 2005, the operations at our gateway located in Sebring, Florida were impaired temporarily, causing a temporary degradation of the service level in the affected area. If a future natural disaster impairs or destroys any of our ground facilities, we may be unable to provide service to our customers in the affected area for a period of time.

In addition, even if our gateways are not affected by natural disasters, our service could be disrupted if a natural disaster damages the public switch telephone network or our ability to connect to the public switch telephone network.

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

We intend to insure the launch of our eight spare satellites to supplement our existing low earth orbit constellation, but we do not, and do not intend to, insure our existing satellites during their remaining in-orbit operational lives. We anticipate our eight spare satellites will be launched in 2007 on two rockets, each carrying four satellites. Launch insurance currently costs approximately 5% to 10% of the insured value of the satellite (including launch costs), but may vary depending on market conditions and the safety record of the launch vehicle. Even if a lost satellite is fully insured, acquiring a replacement satellite may be difficult and time consuming. Furthermore, the insurance does not cover lost revenue.

We expect any launch failure insurance policies that we obtain to include specified exclusions, deductibles and material change limitations. Typically, these insurance policies exclude coverage for damage arising from acts of war, lasers, and other similar potential risks for which exclusions are customary in the industry at the time the policy is written.

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

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

We plan to integrate ATC services with our existing satellite services and products, initially using our existing communications network, while developing a second-generation satellite network and upgrading our existing ground

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facilities. To date, neither we nor any other company has developed an integrated commercial network combining satellite services with ATC services, and we may be unable to do so.

Northern Sky Research L.L.C., a third party telecommunications industry research firm, estimates that development of a terrestrial network to provide ATC services could cost $2.5 to $3.0 billion in the United States alone. Therefore, full exploitation of our ATC opportunity probably will require us to form partnerships, service contracts or other joint venture arrangements with other telecommunications or spectrum-based service providers. We may not be able to establish such arrangements at all or on favorable terms and, if such arrangements are established, the other parties may not fulfill their obligations. If we are unable to form a suitable partnership or enter into a service contract or joint venture agreement, we may not be able to realize our plan to offer ATC services, which would limit our ability to expand our business and reduce our revenues and profitability. In addition, in such event we will lose any resources we have invested in developing ATC services, which may be substantial.

ATC spectrum access is limited by regulatory and technological factors. If we are unable to work within these limitations, our anticipated future revenues and profitability will be reduced, and we could lose all or much of our investment in developing ATC services.

We have been granted authority to use a finite quantity of radio spectrum for ATC services. Our ATC license currently is limited to 11 MHz, i.e., 5.5 MHz of spectrum in each of the L and S bands. Any ATC use of more than 11 MHz of spectrum would require a change in or waiver of FCC rules. No such change may occur and we may not receive any such waiver. In addition, our authority to provide ATC services is contingent on our continuing to offer satellite services to our customers. Accordingly, we must continue to provide communication between our satellites and the gateways when we commence providing ATC services through our network. If we are not able to manage our satellite and ATC spectrum use dynamically and efficiently, we may not be able to realize the full value of our ATC license.

The FCC rules governing ATC are relatively new and are subject to interpretation. These rules require ATC service providers to demonstrate that their mobile satellite and ATC services constitute an “integrated service offering.” The FCC has indicated that one means of meeting this requirement is through the use of dual-mode mobile satellite services/ATC handset phones. Although we believe we can obtain and sell dual-mode mobile satellite services/ATC handset phones that will comply with the ATC rules, the scope of ATC services that we will be permitted and required to provide under our existing FCC license is unclear and we may be required to seek amendments to our ATC license to execute our business plan. The development and operation of our ATC system may also infringe on unknown and unidentified intellectual property rights of other persons, which could require us to modify our business plan, thereby increasing our development costs and slowing our time to market. If we are unable to meet the regulatory requirements applicable to ATC services or develop or acquire the required technology, we may not be able to realize our plan to offer ATC services, which would decrease our revenues and profitability.

If the FCC were to reduce our existing spectrum allocation or impose additional spectrum-sharing requirements on us, our services and operations could be adversely affected.

Under the FCC’s plan for mobile satellite services in our frequency bands, we must share frequencies in the United States with other licensed mobile satellite services operators. To date, there are no other authorized CDMA-based mobile satellite services operators and we do not believe anyone is requesting such an authorization. In July 2004, the FCC released new rules which require us to share 3.1 MHz of the 1610.25 to 1621.35 MHz portion of our uplink band with Iridium and the 2496 to 2500 MHz portion of our downlink band with operators providing broadband radio service. The FCC also asked for comment on whether Iridium should be allowed to share the 1616 to 1618.25 MHz portion of the 1.6 GHz band. Although we have continued to contest vigorously any proposed additional sharing of our spectrum, we may not retain exclusive use of all of our existing spectrum. If we are required to share additional frequency bands or if Iridium or an operator of a CDMA system uses these frequencies, it may cause interference with our signal and decrease the value of our spectrum.

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

Our business plan is evolving and it may include forming strategic partnerships to maximize value for our spectrum, network assets and combined service offerings in the United States and internationally. Values that we

may be able to realize from such partnerships will depend in part on the value ascribed to our spectrum. Valuations of spectrum in other frequency bands historically have been volatile, and we cannot predict at what amount a future partner may be willing to value our spectrum and other assets. In addition, to the extent that the FCC takes action that makes additional spectrum available or promotes the more flexible use or greater availability (e.g., via spectrum leasing or new spectrum sales) of existing satellite or terrestrial spectrum allocations, the availability of such additional spectrum could reduce the value of our spectrum authorizations, the value of our business and the price of our common stock.

We could lose market share and revenues as a result of increasing competition from companies in the wireless communications industry, including other satellite operators, and from the extension of land-based communication services.

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

There are currently five other satellite operators providing services similar to ours on a global or regional basis: Iridium L.L.C., Inmarsat, Mobile Satellite Ventures, Thuraya Satellite Communications Company and Asian Cellular Satellites. In addition, ICO Global Communications Company and TMI/TerreStar plan to launch their new satellite systems within the next few years. The provision of satellite-based products and services is subject to downward price pressure when the capacity exceeds demand.

In April 2001, Iridium, our principal worldwide mobile satellite competitor, exited bankruptcy and resumed commercial service in competition with us. Iridium has a long-term contract from the United States Department of Defense. ICO Global Communications raised additional funding during 2005 to fund the construction of its 2 GHz satellite system and is expected to complete its system and compete with us in the future. TMI/TerreStar also holds a 2 GHz satellite license and is constructing a system that may compete with us in the future. In addition, we may face competition from new competitors or new technologies, which may materially adversely affect our business plan. With so many companies targeting many of the same customers, we may not be able to retain successfully our existing customers and attract new customers and as a result may not grow our customer base and revenue as much as we expect.

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

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

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

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

We may lose customers due to competition, consolidation, regulatory developments, business developments affecting our customers or their customers, or for other reasons. Our top 10 customers for the three and nine months ended September 30, 2006 accounted for, in the aggregate, approximately 20.2% and 19.9% of our total revenues of $38.7 million and $107.4 million, respectively. For the three and nine months ended September 30, 2006, revenues

from our largest customer were $ 1.8 million and $4.0 million, or 4.7% and 3.7% of our total revenues, respectively. If we fail to maintain our relationships with our major customers, if we lose them and fail to replace them with other similar customers, or if we experience reduced demand from our major customers, it could result in a significant reduction in our profitability through the loss of revenues and the requirement to record additional costs to the extent that amounts due from these customers are considered uncollectible. More generally, our customers may fail to renew or may cancel their service contracts with us, which could negatively affect future revenues and profitability.

Our customers include multiple agencies of the U.S. government. Aggregate sales to U.S. government agencies constituted approximately 25% and 20% of our revenue for the three and nine months ended September 30, 2006, respectively. Government sales are made pursuant to individual purchase orders placed from time to time by the governmental agencies and are not related to long-term contracts. U.S. government agencies may terminate their business with us at any time without penalty.

We may need additional capital to maintain our network and to pursue future growth opportunities. If we fail to obtain sufficient capital, we will not be able to complete our business plan.

Our business plan calls for the launch of spare and new satellites, upgrading our ground stations, phones and data terminals and entering into joint ventures to develop ATC and other international services and products. We believe the net proceeds from our initial public offering, together with cash on hand, cash generated from our operations and cash available under our credit agreement and irrevocable standby stock purchase agreement, will be sufficient to enable us to implement our business plan. If we are wrong, we may not be able to obtain in a timely manner sufficient funds to develop and launch such satellites, upgrade our ground component or develop our ATC services and products. If we do not generate the amount of cash we expect from our operations or do not receive the entire remaining commitment from the irrevocable standby stock purchase agreement with Thermo Funding Company, we will not be able to complete our current business plan, and will be required to revise the plan to one that can be accomplished with our available capital, which could make us less competitive and reduce our future revenue and profitability.

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

Our ownership and operation of wireless communication systems are subject to significant regulation in the United States by the FCC and in foreign jurisdictions by similar local authorities. The rules and regulations of the FCC or these foreign authorities may change and not continue to permit our operations as presently conducted or as we plan to conduct such operations. For example, the FCC cancelled and has refused, to date, to reinstate our license for spectrum in the 2 GHz band. In addition, several terrestrial wireless companies are attempting to convince the FCC to modify adversely our license for spectrum in the S-band (2496-2500 MHz).

Failure to provide services in accordance with the terms of our licenses or failure to operate our satellites or ground stations as required by our licenses and applicable government regulations could result in the imposition of government sanctions on us, up to and including cancellation of our licenses.

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

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

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

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

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

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

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

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

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

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

Our operations involve transactions in a variety of currencies. Sales denominated in foreign currencies primarily involve the Canadian dollar and the Euro. The contract for the launch of our eight spare satellites and a substantial majority of our obligations under the contract for our second-generation constellation are denominated in Euros. Accordingly, our operating results may be significantly affected by fluctuations in the exchange rates for these currencies. Approximately 34% and 38% of our total sales were

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to customers in Canada and Europe during the three and nine months ended September 30, 2006, respectively. Approximately 38% and 45% of our total sales were to customers in Canada and Europe during the three and nine months ended September 30, 2005, respectively. Our results of operations for the three and nine months ended September 30, 2006 reflected a loss of $0.1 million and $1.8 million on foreign currency transactions, respectively. Our exposure to fluctuations in currency exchange rates will increase significantly as a result of our two satellite contracts. We may be unable to offset unfavorable currency movements as they adversely effect our revenue and expenses or to hedge them effectively. Our inability to do so could have a substantial negative impact on our operating results and cash flows.

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

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

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

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

We depend on Axonn L.L.C. (“Axonn”) to produce and sell the data modems through which we provide our Simplex service. These devices incorporate Axonn proprietary technology. If Axonn were to cease producing and selling these data modems, in order to continue to expand our Simplex service, we would either have to acquire from Axonn the right to have the modems manufactured by another vendor or develop a modem that did not rely on Axonn’s proprietary technology. We have no long-term contract with Axonn for the production and sale of these data modems.

Space Systems/Loral manufactured our eight spare satellites, all of which are being prepared for launch in 2007. Those satellites were acquired by Old Globalstar in 2003, as part of a settlement with Loral, and are now owned by us. We are dependent on third parties to test, prepare for launch and provide certain services in support of the launch of our spare satellites. We have contracted with Starsem to launch these satellites. We expect the cost of testing and launching these eight spare satellites (including launch insurance) to be approximately $110.0 million.

On November 30, 2006, we entered into an agreement with Alcatel to construct 48 low earth orbit satellites for our second-generation satellite constellation and to provide launch-related and operations support services. We are dependant upon Alcatel to construct and provide launch support services related to these satellites.

Wireless devices may pose health and safety risks and, as a result, we may be subject to new regulations, demand for our services may decrease and we could face liability based on alleged health risks.

There has been adverse publicity concerning alleged health risks associated with radio frequency transmissions from portable hand-held telephones that have transmitting antennae. Lawsuits have been filed against participants in the wireless industry alleging various adverse health consequences, including cancer, as a result of wireless phone usage. The U.S. Supreme Court recently declined to review a lower federal court’s decision remanding for trial in state courts several cases alleging such injuries. Our subsidiary, Globalstar USA, LLC, was a defendant in a similar case in a Georgia state court. Vodafone Americas, Inc. conducted our defense pursuant to a prior indemnification obligation. The plaintiff, on behalf of cellular consumers in Georgia, claimed that defendants

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(cell phone manufacturers and operators) knew that their cell phone products emitted radio frequency radiation that posed future health risks. Based on the defendants’ failure to warn of such risks and alleged breaches of warranty, plaintiff sought a variety of monetary damages as well as headsets for each cell phone consumer in Georgia. In March 2005, the case was consolidated with four other cases in the United States District Court in Maryland. On January 30, 2006, because of the consolidation, the plaintiff voluntarily dismissed the Georgia state court case.

Although we do not believe that there is valid scientific evidence that use of our phones poses a health risk, courts or governmental agencies could find otherwise. Any such finding could reduce our revenues and profitability and expose us and other wireless providers to litigation, which, even if not successful, could be costly to defend.

If consumers' health concerns over radio frequency emissions increase, they may be discouraged from using wireless handsets. Further, government authorities might increase regulation of wireless handsets as a result of these health concerns. The actual or perceived risk of radio frequency emissions could reduce our subscriber growth rate, reduce the number of our subscribers or impair our ability to obtain future financing.

Pursuing strategic transactions may cause us to incur additional risks.

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

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

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

Our indebtedness could adversely affect our financial condition. If the $150.0 million in committed facilities under our credit agreement had been fully drawn at September 30, 2006, our indebtedness would have been $150.9 million. This would have resulted in annual interest expense of approximately $16.6 million, assuming an interest rate of 11.0%. Our indebtedness could:

- require us to dedicate a substantial portion of our cash flow from operations to principal payments on our debt in years when the debt matures, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate expenditures;
- result in an event of default if we fail to comply with the restrictive covenants contained in our credit agreement, which event of default could result in all of our debt becoming immediately due and payable;
- increase our vulnerability to adverse general economic or industry conditions because our debt could mature at a time when those conditions make it difficult to refinance and our cash flow is insufficient to repay the debt in full, forcing us to sell assets at disadvantageous prices or to default on the debt, and because a decline in our profitability could cause us to be unable to comply with the forward fixed charge coverage ratio in our credit agreement and result in a default on, and acceleration of, our debt; limit our flexibility in planning for, or reacting to, competition and/or changes in our business or our industry by limiting our ability to incur additional debt, to make acquisitions and divestitures or to engage in transactions that could be beneficial to us;
- restrict us from making strategic acquisitions, introducing new products or services or exploiting business opportunities; and
- place us at a competitive disadvantage relative to competitors that have less debt or greater financial resources.

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

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

We will be able to incur additional indebtedness or other obligations in the future, which would exacerbate the risks discussed above.

Our credit agreement permits us to incur, in addition to the $150.0 million of revolving credit and delayed draw term loans that the lenders have committed to advance under the credit agreement, other indebtedness under certain conditions, including up to $150.0 million of additional equally and ratably secured, *pari passu*, term loans, up to $200.0 million of unsecured debt and up to $25.0 million of purchase money indebtedness or capitalized leases. We may incur this additional indebtedness only if no event of default under our credit agreement then exists, if we are in pro forma compliance with all of the financial covenants of our credit agreement, and if, after giving effect thereto, our consolidated total leverage ratio does not exceed 5.5 to 1.0. Our credit agreement also permits us to incur obligations that do not constitute "indebtedness" as defined in the credit agreement, including obligations to satellite vendors that are not evidenced by a note and not secured by assets other than those purchased with such obligations. To the extent additional debt or other obligations are added to our currently anticipated debt levels, the substantial indebtedness risks described above would increase.

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

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

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

- incur or guarantee additional indebtedness;
- pay dividends or make distributions to our stockholders;
- make investments, acquisitions or capital expenditures;
- repurchase or redeem capital stock or subordinated indebtedness;

- grant liens on our assets;
- incur restrictions on the ability of our subsidiaries to pay dividends or to make other payments to us;
- enter into transactions with our affiliates;
- incur obligations to vendors of satellites;
- merge or consolidate with other entities or transfer all or substantially all of our assets; and

- transfer or sell assets.

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

If we are unable to address successfully the material weakness in our internal controls, or our other control deficiencies, our ability to report our financial results on a timely and accurate basis and to comply with disclosure and other requirements may be adversely affected; public reporting obligations will put significant demands on our financial, operational and management resources.

We are not currently required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, and are therefore not required to make an assessment of the effectiveness of our internal controls over financial reporting for that purpose. However, in connection with its audit of our 2005 consolidated financial statements, our independent registered public accounting firm, Crowe Chizek and Company LLP ("Crowe Chizek"), identified a material weakness in our processes, procedures and controls related to our failure to eliminate inter-company profit from sales of inventory and surplus or spare fixed assets related to gateway equipment to our subsidiaries, and informed members of our senior management and our board of directors that these processes, procedures and controls were not adequate to ensure that our financial statements were prepared in accordance with generally accepted accounting principles. A material weakness is defined as a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. We failed to eliminate approximately $0.9 million in inter-company profit resulting from these sales in our initial preparation of our 2005 financial statements. This control deficiency could have resulted in an overstatement of our earnings for 2005 that would not have been prevented or detected. Accordingly, our management concluded that this deficiency in internal control over financial reporting was a material weakness.

We corrected this error in our year-end adjustments in connection with finalizing our 2005 financial statements, and intend to implement additional controls to verify that all future inter-company profits are captured and tracked properly and eliminated in the consolidation.

In connection with their audit of our 2005 financial statements, Crowe Chizek also advised our management and board of directors that it had identified other significant deficiencies in our internal controls. A significant deficiency is defined as a control deficiency, or a combination of control deficiencies, that adversely affects a company's ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the company's annual or interim financial statements that is more than inconsequential will not be prevented or detected. Crowe Chizek recommended that we consider taking remedial actions, including hiring additional accounting resources in our significantly understaffed corporate accounting department, establishing a monthly close checklist and timetable, reviewing and supervising manual journal entries, historical estimates and consistency of accounting policies, segregating duties in our accounts payable department, reviewing calculations of allowance for doubtful accounts and inventory and warranty reserves, and simplifying and automating our reporting process, particularly in the consolidation of our foreign subsidiaries' financial information. We have begun to implement these recommendations. We have implemented additional management oversight over inter-company transactions and additional controls with respect to reconciliation of inter-company balances at quarter-end. We have hired additional staff to address further our deficiencies in that area. The remediation process is ongoing.

We will continue to monitor the effectiveness of these and other processes, procedures and controls and will make any further changes management determines appropriate, including to effect compliance with Section 404 of the Sarbanes-Oxley Act of 2002 at or before December 31, 2007, the date by which we are required to comply with it.

Any material weakness or other deficiencies in our control systems may affect our ability to comply with SEC reporting requirements and NASDAQ Global Market listing standards or cause our financial statements to contain material misstatements, which could negatively affect the market price and trading liquidity of our common stock, cause investors to lose confidence in our reported financial information, as well as subject us to civil or criminal investigations and penalties.

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

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

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

The pre-emptive rights offering will be made pursuant to a registration statement filed with, and potentially reviewed by, the Securities and Exchange Commission. After giving effect to waivers that we have already received, up to 785,328 shares of our common stock may be purchased if the pre-emptive rights offering is fully subscribed. Such shares may be purchased at approximately $16.17 per share, regardless of the trading price of our common stock. Although any shares purchased or subscribed for in the pre-emptive rights offering will be subject to a lock-up until May, 2007, the nature of the pre-emptive rights offering may negatively affect the trading price of our common stock. Additionally, because existing stockholders who commit to participate in the pre-emptive rights offering have the right to purchase their committed shares at any time during the term of the irrevocable standby stock purchase agreement, any future purchases at $16.17 may also affect the trading price of our common stock at the time of purchase.

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

On November 7, 2006, we completed our initial public offering of our common stock pursuant to a registration statement on Form S-1 (File No. 333-135809) declared effective by the Securities and Exchange Commission on November 1, 2006. The managing underwriters for the offering were Wachovia Securities and JP Morgan. Pursuant to the registration statement, we sold 7,500,000 shares of common stock at $17.00 per share for an aggregate offering of $127.5 million. After deducting underwriting discounts and commissions of approximately $8.9 million and other estimated offering costs of approximately $1.1 million, our net proceeds from the initial public offering were approximately $117.5 million. As of December 14, 2006, we have used $47.5 million to repay our revolving credit facility, which can be subsequently redrawn, and to make initial payments on our second-generation satellite contract and have distributed $685,848 to Thermo as required by our former operating agreement and permitted by our credit agreement. The remaining $70.4 million has been invested in highly liquid short-term investments in accordance with our investment policy.

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

Prior to its registration under the Securities Act of 1934, the Company obtained written consents from its stockholders on one occasion during the third fiscal quarter of 2006. At the time of this consent, there were 10,479,249 shares of common stock outstanding, consisting of 3,243,631 shares of Series A common stock, 692,400 shares of Series B common stock and 6,543,218 shares of Series C common stock. Approval required the affirmative vote of a majority of the total outstanding shares, voting as one class. Share numbers provided in this item are not adjusted for a 6-for-1 stock split in the form of a stock dividend that occurred on October 25, 2006.

On July 12, 2006, stockholders representing approximately 69% of the outstanding shares of common stock on that date approved the Globalstar, Inc. 2006 Equity Incentive Plan.

	For	Votes Against	Withheld
Approve Plan	7,235,618	N/A	N/A

Item 6. Exhibits

Number	Description
3.2	Amended and Restated Bylaws
10.1*	Contract between Globalstar, Inc. and Alcatel Alenia Space France dated as of November 30, 2006.
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.

SIGNATURES

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

GLOBALSTAR, INC.

Date: December 15, 2006	By:	/s/ James Monroe III James Monroe III Chairman and Chief Executive Officer
Date: December 15, 2006	By:	/s/ Fuad Ahmad Fuad Ahmad Vice President and Chief Financial Officer

Exhibit 3.2

**AMENDED AND RESTATED
BYLAWS
OF
GLOBALSTAR, INC.**

ARTICLE I

OFFICES

Section 1.1 *Registered Office*. Globalstar, Inc., a Delaware corporation (the "Corporation"), shall maintain a registered office in the State of Delaware at such location as shall from time to time be determined by the Board of Directors of the Corporation (the "Board").

Section 1.2 *Other Offices.* The Corporation may also have offices at such other locations both within and without the State of Delaware as the Board may from time to time determine.

ARTICLE II

STOCKHOLDERS

Section 2.1 *Annual Meeting.* The annual meeting of the stockholders shall be held on the second Tuesday in May in each year at such place (if any) and time as determined by the Board, or on such other date and at such other place and time as determined by the Board, for the purpose of electing directors and conducting such other proper business as may come before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than twenty (20) nor more than sixty (60) days before the date of the meeting. If mailed such notice shall be deemed to be given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation.

Section 2.2 *Special Meetings*. Unless otherwise provided by law, the Certificate of Incorporation or these Bylaws, special meetings of the stockholders, for any purpose or purposes, may be called only by the Board. Notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting. Business transacted at any special meeting of the stockholders shall be limited to the purpose(s) stated in the notice.

Section 2.3 *Quorum and Vote Required for Action.* (a) The holders of a majority of the capital stock issued and outstanding and entitled to vote at any meeting of the stockholders shall constitute a quorum for the transaction of business except as otherwise provided by law, the Certificate of Incorporation or these Bylaws. If the vote of a class or series is required, the presence of the holders of a majority of the capital stock of such class or series also shall be required to constitute a quorum. If, however, a quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote at the meeting, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At the adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

(b) Except as otherwise provided by law, the Certificate of Incorporation or the rules and regulations of any stock exchange applicable to the Corporation, if a quorum is present at any meeting, the vote of the holders of a majority of the capital stock having voting power present in person or

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represented by proxy at that meeting shall decide any question brought before the meeting. If the vote of a class or series is required on any question, the vote of the holders of a majority of the capital stock of such class or series also shall be required to decide that question.

Section 2.4 *Voting of Shares*. Except as provided in the Certificate of Incorporation or by law, at every meeting of the stockholders, each stockholder shall be entitled to one (1) vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no proxy may be voted after three (3) years from its date, unless the proxy provides for a longer period. Any proxy shall be in writing and shall be filed with the Secretary of the Corporation before or at the time of the meeting.

Section 2.5 *Action in Lieu of a Meeting*. Any action that is required to be or that may be taken at any annual or special meeting of the stockholders of the Corporation may be taken without a meeting if and to the extent permitted by the Certificate of Incorporation.

Section 2.6 *Place of Meetings*. Meetings of the stockholders shall be held at such place (if any) within or without of the State of Delaware as is designated by the Board.

Section 2.7 *Stockholders May Participate in Other Activities*. Stockholders and their affiliates and directors, either individually or with others, may participate in other business ventures of every kind, whether or not such other business ventures compete with the Corporation. No stockholder, acting in the capacity of a stockholder, shall be obligated to offer to the Corporation or to the other stockholders any opportunity to participate in any other business venture. Neither the Corporation nor the other stockholders shall have any right to any income or profit derived from any other business venture of a stockholder.

Section 2.8 *Record Date.* For the purpose of determining stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or in order to make a determination of stockholders for any other purpose, the Board may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board, and which record date: (a) in the case of determining the stockholders entitled to vote at any meeting of stockholders or adjournment thereof, unless otherwise required by law, shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting; (b) in the case of determining the stockholders entitled to express consent to corporate action in

writing without a meeting, if action by written consent is then permitted by the Certificate of Incorporation, shall not be more than ten (10) days from the date upon which the resolution fixing the record date is adopted by the Board of Directors; and (c) in the case of any other action, shall not be more than sixty (60) days prior to such other action. If no record date is fixed: (x) the record date for determining the stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; (y) the record date for determining the stockholders entitled to express consent to corporate action in writing without a meeting, if action by written consent is then permitted by the Certificate of Incorporation, when no prior action of the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation in accordance with applicable law, or, if prior action by the Board of Directors is required by law, shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action; and (z) the record date for determining the stockholders for any other purpose shall be at the close of business on the day on which the Board adopts the resolution relating thereto. When a determination of stockholders entitled to vote at any meeting of the stockholders has been made as provided in this Section 2.8, the determination shall apply to any adjournment thereof unless a new record date is fixed by the Board.

Section 2.9 *List of Stockholders*. The Secretary shall prepare and make a complete list of the stockholders entitled to vote at any meeting of the stockholders, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours at the principal place of business of the Corporation. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders or the books of the Corporation, or to vote in person or by proxy at any meeting of the stockholders.

Section 2.10 *Organization.* Meetings of the stockholders shall be presided over by the Chairman of the Board, or in his absence by the Vice Chairman of the Board, if any, or in his absence by the President, or in his absence by a Vice President, or in the absence of the foregoing persons by a chairman designated by the Board, or in the absence of such designation by a chairman chosen at the meeting. The Secretary or any Assistant Secretary shall act as secretary of the meeting, but in his absence the chairman of the meeting may appoint any person to act as secretary of the meeting. The chairman of the meeting shall announce at the meeting the opening and the closing of the polls for each matter upon which the stockholders will vote.

Section 2.11 *Conduct of Meetings*. The Board may adopt by resolution such rules and regulations for the conduct of meetings of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as have been adopted by the Board, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting: (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the Board or the chairman of the meeting, meetings of the stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

ARTICLE III

BOARD OF DIRECTORS

Section 3.1 *Powers.* (a) The business and affairs of the Corporation shall be managed under the direction of the Board, except to the extent that the Board shall delegate its authority, powers and duties to one or more committees of its members.

(b) The Board may exercise all such powers of the Corporation and do all such lawful acts and things as are not by law, the Certificate of Incorporation or these Bylaws directed or required to be exercised, done or approved by the stockholders of the Corporation.

Section 3.2 *Composition, Classes, Election, and Term of Office*. (a) The Board shall be comprised of seven (7) directors. The directors shall be divided three (3) classes designated “Class A,” “Class B,” and “Class C” (each a “Class,” and collectively, the “Classes”). Class A and Class B shall have two (2) directors and Class C shall have three (3) directors.

(b) The directors in office on the Effective Date (as defined in Section 9.4) shall divide themselves into the three Classes. The two Class A directors shall hold such office for an initial term

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expiring at the annual meeting of stockholders to be held in 2007; the two (2) Class B directors shall hold such office for an initial term expiring at the annual meeting of stockholders to be held in 2008; and the three (3) Class C directors shall hold such office for an initial term expiring at the annual meeting of stockholders to be held in 2009. Each director in office on the Effective Date shall continue to hold such office for the term prescribed by the immediately preceding sentence until his or her successor shall have been duly elected and qualified, or until his or her death, resignation, or removal in the manner hereafter provided.

(c) At each annual meeting of stockholders, the stockholders shall vote on the election of directors to fill the positions of the Class of directors whose terms have expired. Each director elected at an annual meeting of stockholders shall hold such office for a term of three (3) years until his or her successor has been duly elected and qualified, or until his or her death, resignation, or removal in the manner hereafter provided. The election of directors shall be by Class, and the directors to be elected to any such Class shall be elected by a plurality of the votes of the stockholders entitled to vote at each

meeting for the election of directors in such Class. The terms of each Class of directors shall be staggered such that the expiration of the terms of any two or more Classes of directors shall not occur during the same calendar year.

(d) Any director may resign at any time upon notice to the Corporation. Any newly created directorship or any vacancy occurring in the Board for any cause may be filled only by the remaining directors through less than a majority of the whole authorized number of directors by vote of a majority of those remaining in office, and each director so elected shall hold office until the expiration of the term of office of the director whom he or she has replaced or until his or her successor is elected and qualified. Directors may be removed with or without cause if and to the extent permitted by the Certificate of Incorporation.

Section 3.3 *Chairman of the Board*. The Board shall elect a Chairman of the Board. The Chairman shall have such duties, authority and obligations as may be given to him by these Bylaws or by the Board.

Section 3.4 *Meetings*. The Board shall meet not less often than quarterly and immediately following the annual meeting of the stockholders. A time and place for regular meetings of the Board may be established by the Board. Meetings of the Board may be held upon call of the Chairman of the Board or any four (4) directors. Members of the Board or any committee designated by the Board may participate in a meeting of the Board or committee by conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting shall constitute presence in person at the meeting.

Section 3.5 *Notice of Special Meetings*. Notice of any special meeting of the Board shall be given at least three (3) days before the meeting in writing and by mail, facsimile transmission, electronic mail, personal delivery or private carrier, or telephonic means to each director at his or her business address or such other address as he or she may have advised the Secretary of the Corporation to use for such purpose. If hand delivered, notice shall be deemed to be given when delivered to such address or to the director to be notified. If mailed or sent by private carrier, such notice shall be deemed to be given five (5) business days after deposit in the United States mail, postage prepaid, of a letter addressed to the appropriate location. Notice given by telephonic means, electronic transmission or facsimile transmission shall be deemed to be given when actually received by the director to be notified.

Section 3.6 *Quorum*. The presence of a majority of the members of the Board then in office (present in person or by telephone) shall constitute a quorum at any meeting of the Board.

Section 3.7 *Voting*. Each director shall be entitled to one (1) vote. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, the Board shall act by majority vote of those directors present and voting at any duly called meeting at which a quorum is present.

Section 3.8 *Action Without a Meeting*. Any action which may be authorized or taken at a meeting of the Board may be authorized or taken without a meeting if all of the directors consent thereto in writing or by electronic transmission, and such writing(s) or electronic transmission(s) are filed with the minutes of proceedings of the Board.

Section 3.9 *Organization.* Meetings of the Board shall be presided over by the Chairman of the Board, if any, or in his or her absence by the Vice Chairman of the Board, if any, or in their absence by a chairman chosen at the meeting. The Secretary or any Assistant Secretary shall act as secretary of the meeting, but in his or her absence the chairman of the meeting may appoint any person to act as secretary of the meeting.

ARTICLE IV

COMMITTEES OF THE BOARD

Section 4.1 *Number of Committees*. The Board may by resolution establish one or more committees of the Board. To the extent permitted by law and provided in the resolution of the Board, any such committee shall have and may exercise all the powers and authority of the Board in the management of the business and affairs of the Corporation. All committees shall be subject to the control and supervision of the Board.

Section 4.2 *Appointment; Vacancies; and Removal.* The Board shall appoint the members of the committees established in this Article IV to serve for terms expiring at the regular meeting of the Board following the next succeeding annual election meeting, and the Board may, at any time, with or without cause, remove any member of a committee so appointed. Any vacancy occurring in a committee shall be filled by the Board for the remainder of the term.

Section 4.3 *Committee Procedures*. Each committee shall determine its own time and manner of conducting its meetings; the presence of a majority of the members of the committee shall constitute a quorum; and the vote of a majority of the members of a committee present at a meeting at which a quorum is present shall be the act of the committee. A committee may act informally by written consent of all of its members.

ARTICLE V

OFFICERS

Section 5.1 *Composition of Officers.* The officers of the Corporation shall consist of at least a Chairman of the Board, a President, and a Secretary and may include such other officers as are appointed by the Board, including but not limited to a Chief Executive Officer, one or more Vice Presidents, a Chief Financial Officer, a Treasurer, one or more Assistant Secretaries and one or more Assistant Treasurers. Any two or more offices may be held by the same person, except that the Secretary may not hold the office of President.

Section 5.2 *Tenure and Appointment; Removal.* All officers shall be appointed by the Board and shall hold office for one (1) year or until their successors are elected and qualified, or for such other period as the Board may designate. Any officer may be removed by the Board with or without cause.

Section 5.3 *Powers and Duties*. Each of the officers of the Corporation shall, unless otherwise ordered by the Board, have such powers and duties as customarily pertain to the respective office, and such further powers and duties as from time to time may be conferred by the Board, or by an officer delegated such authority by the Board.

ARTICLE VI

AMENDMENTS

Section 6.1 *Bylaws*. As set forth in the Certificate of Incorporation, the Board shall have the power to adopt, amend or repeal these Bylaws, from time to time. These Bylaws may also be amended or repealed or new bylaws of the Corporation may be adopted, by the vote of the holders of at least 66^{2}/3% in voting power of the shares of the Corporation then entitled to vote in the election of the directors. Notwithstanding the foregoing, if Thermo Capital Partners, L.L.C. and its Affiliates (as defined in the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder) ("Thermo") owns beneficially a majority in voting power of the outstanding shares of the Corporation entitled to vote in the election of the directors, these Bylaws may be amended or repealed by the vote of the holders of a majority in voting power of the shares of the Corporation then entitled to vote in the election of the directors.

ARTICLE VII

CERTIFICATES OF STOCK AND THEIR TRANSFER

Section 7.1 Certificates. The interest of each stockholder of the Corporation shall be evidenced by certificates for shares of stock in such form as the Board of Directors may from time to time prescribe; provided that the Board of Directors may provide by resolution or resolutions that all or certain classes or series of the stock of the Corporation shall be represented by uncertificated shares. Notwithstanding the adoption of such a resolution by the Board of Directors, every holder of stock represented by certificates, and upon request every holder of uncertificated shares, shall be entitled to have a certificate or certificates for the holder's shares of the Corporation. Such certificates shall be signed as permitted by law. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 7.2 Transfer. Shares of stock of the Corporation represented by a certificate may be transferred on the books of the Corporation by delivery of the certificate accompanied either by an assignment in writing on the back of the certificate or by a written power of attorney to sell, assign, and transfer the same on the books of the Corporation, signed by the person identified on the certificate as the owner of the shares represented thereby. Upon receipt of proper transfer instructions from the registered owner of uncertificated shares, the transfer of the shares shall be recorded upon the books of the Corporation. Within a reasonable time after the issuance or transfer of uncertificated stock, the Corporation shall send to the registered owner thereof a written notice evidencing the shares and containing the information required to be set forth on a certificate for those shares by the Delaware General Corporation Law or, unless otherwise provided by the Delaware General Corporation Law, a statement that the Corporation will furnish without charge to each stockholder who so requests a statement of the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of those preferences and/or rights. The person registered on the books of the Corporation as the owner of any shares shall be entitled to all the rights of ownership with respect to the shares.

Section 7.3 Lost Certificates. No certificate for shares or uncertificated shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, destroyed or stolen, except on production of evidence of the loss, destruction or theft in a form as the Board of Directors or its designee may in its or his discretion require.

ARTICLE VIII

SEAL

The Corporation shall have no seal unless and until the Board adopts a seal in such form as the Board may designate or approve.

ARTICLE IX

GENERAL PROVISIONS

Section 9.1 *Fiscal year*. The fiscal year of the Corporation shall be the calendar year unless otherwise determined from time to time by the Board.

Section 9.2 *Severability.* If any provision of these Bylaws, or the application of any provision of these Bylaws to any person or circumstance, is held invalid, the remainder of the Bylaws and the application of such provision to other persons or circumstances shall not be affected.

Section 9.3 *Waiver of Notice of Meetings of Stockholders, Directors and Committees.* Any waiver of notice, given by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at nor the purpose of any regular or special meeting

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of the stockholders, directors, or members of a committee of directors need be specified in any written waiver of notice.

Section 9.4 *Effective Date.* These Amended and Restated Bylaws shall be effective upon the filing of the Amended and Restated Certificate of Incorporation with the Delaware Secretary of State (the "Effective Date").

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.

CONTRACT

BETWEEN

GLOBALSTAR, INC.

AND

ALCATEL ALENIA SPACE FRANCE

**FOR THE CONSTRUCTION OF
THE GLOBALSTAR SATELLITE
FOR THE SECOND GENERATION CONSTELLATION**

CONTRACT NUMBER GINC-C-06- 0300

(as amended through December 12, 2006)

TABLE OF CONTENTS

	Article	Page
1.	Definitions	3
2.	Scope and Exhibits	9
3.	Purchaser’s Undertakings	11
4.	Total Price	13
5.	Bonus Payments	14
6.	Delivery and Delivery Schedule	18
7.	Payment	19
8.	Inspection and Acceptance	23
9.	Title and Risk of Loss	25
10.	Access to Work in Progress	26
11.	Progress Meeting, Presentations and Reports	26
12.	Intellectual Property Rights	27
13.	Public Release of Information	28
14.	Confidentiality	29
15.	Intellectual Property Rights Indemnity	29
16.	Limitation of Liability	30
17.	Excusable Delays	32
18.	Liquidated Damages for Late Delivery	33
19.	Request For Deviation (RFD)/Request For Waivers (RFW) and Changes	36
20.	Termination for Default	36
21.	Termination for Convenience	38
22.	Stop Work	39
23.	Arbitration	42
24.	Warranty	43
25.	Communication and Authority	45
26.	RESERVED	46
27.	Licenses for Export and Launch	46
28.	Spacecraft Storage	47
29.	Options	48
30.	Key Personnel	50
31.	Indemnification and Insurance	51
32.	Effective Date of Contract	53
33.	Representations	53
34.	General Provisions	54

This Contract dated as of the 30th day of November 2006, made between **Alcatel Alenia Space France**, a company organized under the laws of France and having its registered office at 12, rue de la Baume 75008 Paris, France ("Contractor") and **Globalstar, Inc.**, a Delaware corporation with offices at 461 South Milpitas Blvd., Milpitas, California 95035, U.S.A. ("Purchaser").

Recitals

Whereas, Purchaser desires to procure forty eight (48) satellites and other Deliverable Items and related services ; and

Whereas, Contractor desires to provide such satellites and other Deliverable Items and related services, all in accordance with the terms and conditions of this Contract ; and

Whereas, Purchaser may create an Irish General Partnership ("NEWCO") to be a party to the Escrow Agreement (as defined below) ; and

Now therefore, the Parties hereto, in consideration of the mutual covenants herein expressed, agree with each other as follows:

Terms and Conditions

Article 1. Definitions

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

"Accelerated Delivery" shall mean the accelerated delivery of the Spacecraft which may be delivered under Phase 3 as set forth in Exhibit F2.

"Accelerated Scenario" shall mean both the scenario as set forth in Exhibit F2 for an Accelerated Delivery or in Exhibit F3 for an Aggressively Accelerated Delivery or any other mutually agreed upon accelerated scenario.

"Aggressively Accelerated Delivery" shall mean the aggressively accelerated delivery of the Spacecraft which may be delivered under Phase 3 as set forth in Exhibit F3.

"Anomaly Support" shall mean the support provided by Contractor to Purchaser for the first year after the date of the first successful launch of Spacecraft, as described in greater detail in Exhibit A.

"Authorization To Proceed" or "ATP" shall mean the document executed by Purchaser and Contractor dated October 4th, 2006, as amended from time to time, authorizing Contractor to proceed with certain Work prior to entry into force of this Contract.

"Available for Shipment" means that a Satellite has successfully undergone a Pre-Shipment Review in accordance with section 5.8 of Exhibit A and has been declared ready to be shipped either to the Launch Site or to the storage location as set forth in Article 29.

"Background IP" shall mean Intellectual Property developed and owned by Contractor prior to entering into this Contract or outside the scope of this Contract which will be utilized or incorporated by Contractor into any Deliverable Item under this Contract.

"Batch" shall mean each group of Spacecraft to be installed on the same Launch Vehicle dispenser and to be launched on such Launch Vehicle.

"Bonus Payments" shall mean the payments which may be made pursuant to the provisions of Article 5.

"Business Day" means a day which Purchaser and Contractor are both open for business, other than a Saturday, Sunday or other day on which commercial banks in New York City, France, or the State of California are authorized or required by law to close.

"Contract" shall mean this Contract between Purchaser and Contractor, including all Exhibits and Appendices referenced herein, and all amendments that may be made hereto and thereto.

"Contractor" shall mean Alcatel Alenia Space France.

"Contractor Indemnitees" shall have the meaning ascribed to it in Article 31(B).

"Day" shall mean, whether or not capitalized, a calendar day.

"Deliverable Items" shall mean those items set forth in Article 2(C).

"Delivery" shall mean the delivery of Deliverable Items as set forth in Article 6.

"Delivery Schedule" shall mean the timetables for Delivery of the Deliverable Items as set forth in Article 6.

"Documentation" shall mean the documentation to be supplied by Contractor to Purchaser as listed in Exhibit A.

"DSS" shall mean Dynamic Satellite Simulator software in executable form, including updated versions, as described in Exhibit E.

"EDC" shall mean the effective date of this Contract as set forth in Article 32.

“Escrow Account” shall mean the escrow account to be opened by Purchaser and/or NEWCO with the Escrow Agent pursuant to the Escrow Agreement, as set forth in Article 7(I).

“Escrow Agent” shall mean UBS AG, Bahnhofstrasse 45, 8098 Zurich, Switzerland, or such other banking institution that the Parties shall agree upon.

“Escrow Agreement” shall mean the escrow agreement to be entered into among Contractor, Escrow Agent and Purchaser and/or NEWCO.

“Factory Acceptance Test Review” shall have the meaning set forth in section 5.16 of Exhibit A.

“Final Acceptance” shall be as described in Article 8(A) with respect to Spacecraft and as described in Article 8(B) with respect to DSSs.

“Flight Readiness Review” or “FRR” shall mean the review described in section 5.10 of Exhibit A.

“Foreground IP” shall mean Intellectual Property developed, conceived or first actually reduced to practice by the Contractor in the performance of Work under this Contract.

“Globalstar System” shall mean the system consisting of the Satellites, Ground Control Network, network control centers and user terminals for the provision of communications services.

“Ground Control Network” shall mean the items to be provided by Purchaser composed of the following : (i) Satellite Control Network, (ii) the gateway RF terminals and (iii) the Globalstar data network.

“Ground Support Equipment” or “GSE” shall mean all equipment used or necessary to permit the transportation, handling, integration and test of the Spacecraft during factory validation testing and pre-Launch operations.

“Intellectual Property” or “IP” shall mean all intellectual property, including without limitation, inventions, patents, copyrights, trade secrets, DSS, Satellite OBPE Software, Documentation including Technical Data, discoveries, technical know-how, techniques, procedures, methods, designs, improvements or innovations.

“Intentional Ignition” shall mean the moment in time, as indicated in the automatic sequence control equipment, when the intentional ignition of the first stage engine occurs. This definition will be adjusted as necessary to be consistent with the Launch Services Agreement and the Launch Insurance.

“Interest Rate” shall mean the One Month EURIBOR as established by the European Financial Markets Association (ACI) and European Banking Federation (EBF) and as published on their joint website at http://www.euribor.org/html/content/euribor_data.html on the payment due date plus [*] basis points (such one-month EURIBOR rate to “float” by being re-determined on the first day of each calendar month).

“Key Person” shall have the meaning ascribed to it in Article 30(A).

“Key Personnel” shall have the meaning ascribed to it in Article 30(A).

“Launch Date” shall mean each date scheduled for Launch of one or more Satellites.

“Launch Insurance” means, with respect to the Satellites, insurance that covers such Satellites from the period beginning at Intentional Ignition, at coverage levels determined at sole discretion of Purchaser.

“Launch Readiness Review” or “LRR” shall mean the review described in section 5.11 of Exhibit A.

“Launch Services” shall mean the services provided by a Launch Services Provider pursuant to a Launch Services Agreement.

“Launch Services Agreement” shall mean each agreement between a Launch Services Provider and Purchaser for the launch of one or more Spacecraft.

“Launch Services Provider” shall mean each company with whom Purchaser contracts for the launch of one or more Spacecraft.

“Launch Site” shall mean each launch facility provided by a Launch Services Provider, including all buildings and testing, storage and other facilities thereon.

“Launch Support Services” shall mean the services Contractor shall provide pursuant to this Contract in support of the launch of the Spacecraft, as more fully set forth in section 3.4 of Exhibit A.

“Launch Vehicle” shall mean each vehicle provided by the Launch Services Providers on which one or more Spacecraft are to be launched. The list of possible Launch Vehicles is included in section 1.1 of Exhibit A.

“Licensed Items” shall mean any Deliverable Items being furnished pursuant to, or to be utilized in connection with, this Contract which require the approval, permission or license from a government with respect to export control laws of such government.

“Milestone Events” shall mean those milestones which are eligible for payment as set forth in the column entitled “Milestone Events” in Exhibit F1, F2 or F3, as applicable.

"Mission Operations Support Services" or "MOSS" shall mean the services Contractor shall provide pursuant to this Contract as more fully set forth in section 3.5 of Exhibit A.

"NEWCO" shall have the meaning ascribed to it in the third paragraph of the Recitals.

"Party" or "Parties" shall mean one or both of Contractor and Purchaser.

"Phase" shall mean each of the phases according to which the Contract shall be performed as set forth in Article 2(D) and Exhibit F.

"Preliminary Design Review" or "PDR" shall mean the review described in section 5.4.1 of Exhibit A.

"Pre-Shipment Review" or "PSR" shall mean the review described in section 5.8 of Exhibit A.

"Pre-Shipment Review Acceptance Certificate" shall mean the certification as set forth in Article 8, provided by Contractor to Purchaser upon successful completion of a Pre-Shipment Review.

"Program Readiness Review" or "PRR" shall mean the review described in section 5.2 of Exhibit A.

"Proto-Flight Model Spacecraft" or "PFM" shall mean the Spacecraft which shall be tested at qualification levels and acceptance duration as a proto flight model.

"Purchaser" shall mean Globalstar, Inc.

"Purchaser Indemnitees" shall have the meaning ascribed to it in Article 31(A).

"Purchaser Residents" shall mean the employees or representatives of Purchaser located in the Contractor's facilities for the purpose of technical management of the Contract.

"Regular Delivery" shall mean the delivery of the Spacecraft to be delivered under Phase 3 as set forth in Exhibit F1.

"Satellite" or "Spacecraft" shall mean any spacecraft to be constructed and delivered pursuant to this Contract, as generally described in Exhibit A and Exhibit B.

"Satellite Control Network" shall mean the items to be provided by Purchaser composed of the following : (i) Satellite Operations Control Centers (SOCCs) (Main, Development and Back Up SOCCs), (ii) the Telemetry Command Units (TCUs) and (iii) the In Orbit Test Equipment (MCE and CMA), as set forth in section 6.5 of Exhibit A.

"Satellite OBPE Software" shall mean the software in executable form and source code form, including updated versions, to be delivered as set forth in section 3.1 of Exhibit A.

"Satellite Post-Shipment Verification Review" shall mean a visual inspection by Contractor of a Satellite after delivery to the Launch Site, to verify that the Satellite has not been degraded during transportation from Contractor's facility, as set forth in section 5.9 of Exhibit A.

"Simulator Completion Review" shall mean verification of a DSS performance in stand-alone mode, similar to the Factory Acceptance Test Review, but after installation at Purchaser's designated DSS installation site, as set forth in section 1.1 and section 5.16 of Exhibit A.

"Stop Work Order" shall mean a written order from Purchaser to Contractor requesting that Contractor cease, and cause Subcontractors (as applicable) to cease, performance of all or part of the Work for the period specified in such order, as such period may be extended in accordance with the Contract, as set forth in Article 22(A).

"Storage Plan" shall mean a plan for the storage of one or more Spacecraft at a site designated in the plan, as set forth in section 3.6.1 of Exhibit A.

"Subcontractors" shall mean all subcontractors of Contractor at any tier.

"Technical Data" shall mean information which is required for the design, development, production, manufacture, assembly, operation, repair, testing, maintenance or modification of the Spacecraft and the DSS, including documentation.

"Total Price" shall mean the firm fixed price payable for the Work as defined in Article 4(A).

"US Dollar" or "USD" shall mean a dollar of United States currency.

"WIP" shall mean all Work in progress.

"Work" shall mean all design, development, construction, manufacturing, labor, services, and acts of Contractor, including tests to be performed, required under Exhibit A (except section 6 thereof), and including all equipment, materials, articles, matters, services and things to be furnished by Contractor under this Contract.

Article 2. Scope and Exhibits

(A) Contractor shall provide the necessary personnel, material, services and facilities to perform the Work in accordance with the provisions of this Contract, including the Exhibits and Appendices listed below, which are attached hereto or incorporated by reference and made a part hereof, and to make delivery to Purchaser in accordance with the Delivery Schedule as provided in Article 6 :

Exhibit A	GBS2 Space Segment Globalstar Statement of Work Ref GS-06-1130 dated October 1, 2006 – Issue 01
Exhibit B	Globalstar II LEO Satellite Requirements Document Ref 3474-05-0016 issue 3.4 dated November 28, 2006
Exhibit C	Program Test Plan (as set forth in Exhibit A)
Exhibit D	Globalstar 2 Product Assurance Plan Ref 200217065 S, Version 03 dated November 24, 2006
Exhibit E	Globalstar Dynamic Satellite Simulator Requirements Document Ref 3474-05-0023 Rev 1_V2, dated November 20, 2006
Exhibit F	Payment Plans
Exhibit G	Form of Escrow Agreement
Exhibit H	Bonus Payments Criteria (EBITDA and satisfactory operation)
Exhibit I	Globalstar Patent Portfolio
Appendix 1	Mutual Nondisclosure Agreement between Globalstar, Inc and Alcatel Alenia Space France, dated November 2nd 2006.
Appendix 2	Technical Assistance Agreement (DTC Case TA 3474-05), dated December 14, 2005; approved by U.S. Dept. State, March 22, 2006 and subsequent amendments.
Appendix 3	Technical Assistance Agreements for Launch Services (to be entered into)

The Parties agree that Exhibit B shall be replaced by a Satellite Performance Specification, CDRL SYS-01, defined in Exhibit A, on or before one (1) month following conduct of the Program Readiness Review.

The Parties agree that Exhibit C shall be replaced by a Satellite Program Test Plan, CDRL SYS-11, defined in Exhibit A, on or before one (1) month following conduct of the Program Readiness Review.

(B) In case of any inconsistencies among the articles of this Contract and any of the Exhibits, the following order of precedence shall apply :

Appendix 2
Terms and Conditions of Contract
All other Appendices

Exhibit F	Payment Plans
Exhibit A	GBS2 Space Segment Globalstar Statement of Work Ref GS-06-1130 dated October 1, 2006 — Issue 01
Exhibit B	Globalstar II LEO Satellite Requirements Document Ref 3474-05-0016 issue 3.4 dated November 28, 2006
Exhibit C	Program Test Plan (as set forth in Exhibit A)
Exhibit D	Globalstar 2 Product Assurance Plan Ref 200217065 S, Version 03 dated November 24, 2006
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Exhibit G	Form of Escrow Agreement
Exhibit H	Bonus Payments Criteria (EBITDA and satisfactory operation)
Exhibit I	Globalstar Patent Portfolio

(C) The scope of this Contract is the design, production, testing, and delivery of the equipment and services, as summarized in this Article 2(C), and represents a firm commitment by Contractor and a firm order by Purchaser for all equipment and services. The following constitute the Deliverable Items :

(i) Forty eight (48) low earth-orbiting communications Spacecraft, one of which shall be a PFM. The Spacecraft shall be manufactured to meet all requirements of this Contract (including Exhibits A and B), tested in accordance with Exhibit C, delivered and processed at the selected Launch Site, or delivered to storage at Purchaser's direction, in accordance with Article 29.

(ii) Two (2) DSSs, as described in Exhibit E.

(iii) Launch Support Services for the Spacecraft, including launch vehicle integration, as generally described in section 3.4 of Exhibit A.

(iv) Mission Operations Support Services (including training of Purchaser's personnel and in-orbit testing of the Spacecraft), as described in section 3.5 of Exhibit A.

(v) Anomaly Support as described in section 3.5.4 of Exhibit A.

(vi) Documentation as described in section 4 of Exhibit A.

(vii) Satellite OBPE Software for the Spacecraft as described in section 3.1 of Exhibit A.

(viii) On-board propellant for each Spacecraft.

In addition to delivering the Deliverable Items set forth herein, Contractor will provide all Ground Support Equipment, which shall be used by Contractor and remain its property.

(D) The Work shall be performed pursuant to the following Phases :

(i) Phase 1 and 2 include non-recurring engineering and manufacture of a PFM and the manufacture and delivery of twenty-four (24) Spacecraft with associated Launch Support Services and MOSS ; and

(ii) Phase 3 includes the manufacture and delivery of twenty-three (23) Spacecraft and the PFM with associated Launch Support Services. For the first successful launch of Satellites delivered under Phase 3 Regular Delivery, Contractor shall assign satellite specialists (including payload, thermal, AOCS, power, data handling, mission analysis) to support Purchaser for the early operations (spacecraft acquisition, stabilization, initialization and orbit raising).

Article 3. Purchaser's Undertakings

(A) Purchaser's undertakings are contained in or identified in this Contract and Exhibit A. In particular, Purchaser shall perform the following :

(i) Purchaser will procure the Launch Services to perform the launch mission including the Satellite(s) dispenser in accordance with one or more Launch Services Agreements with one or more Launch Services Providers. As promptly as practicable, and in any event no later than three (3) months after PDR as set forth in section 3.4.2 of Exhibit A, Purchaser will designate in writing to Contractor the selected Launch Services Provider(s) (with a maximum of two (2)), the Launch Sites and the targeted launch periods. Purchaser will also promptly notify Contractor in the event of any changes in any launch schedule after Purchaser learns of such changes. Purchaser shall use its reasonable best efforts to cause each selected Launch Services Provider to name Contractor and its Subcontractors as additional insureds under each such Launch Services Provider's launch risk third-party liability insurance policy.

(ii) Purchaser will furnish to Contractor decryptor cards and documentation for each Spacecraft as set forth in section 6.3 of Exhibit A. The decryptor cards and documentation shall be transported at Purchaser's risk and expense Delivered Duty Unpaid, Incoterms 2000, to the place and at the date as set forth in section 6.3 of Exhibit A. Any defect on such items or part thereof delivered by Purchaser to Contractor shall be corrected or replaced at Purchaser's expense and any costs incurred by Contractor as a result of such defect and documented to Purchaser shall be borne by Purchaser.

(iii) Purchaser shall provide, at Purchaser's Satellite Operations Control Center ("SOCC") facilities, two (2) computers and a Satellite OBPE Software development workstation to host the software for the DSS as set forth in section 6.6 of Exhibit A.

(iv) Subject to government requirements, Purchaser will arrange with the Launch Services Provider to provide to Contractor and its Subcontractors free of charge access to the Launch Sites, utilities (including without limitation power, phone and data lines) and services (including without limitation transportation) at the Launch Sites necessary to permit Contractor to (i) support the launch schedule; (ii) conduct testing and (iii) provide the Launch Support Services.

(v) Subject to government requirements, Purchaser will provide access to Contractor and its Subcontractors at each of Purchaser's SOCC facilities and In Orbit Test Equipment, on a timely basis, as necessary to permit Contractor to (i) deliver, install and test the DSSs, and (ii) perform the MOSS.

(vi) Purchaser shall obtain Launch Insurance prior to Launch, at coverage levels to be determined at the sole discretion of Purchaser. In addition, Purchaser shall obtain from its insurer providing Launch Insurance waivers of any subrogation rights against Contractor or its Subcontractors, and shall provide evidence of such waivers to Contractor sixty (60) Days prior to the launch of any Satellite and shall provide Contractor a certificate of such insurance coverage at Contractor's request.

(vii) Purchaser shall be responsible for obtaining all necessary approvals, authorizations and/or licenses to launch, test, control and operate the Satellites.

(viii) Purchaser shall be responsible for providing in a timely manner the Satellite Control Network as set forth in Exhibit A.

(B) Contractor shall promptly notify Purchaser of any failure by Purchaser to perform any of its obligations under this Contract which may cause Contractor to be delayed, to incur additional costs, or both. In addition, Purchaser shall promptly notify Contractor in writing of any event which may delay or prevent the performance by Purchaser of any of its obligations under this Contract which may cause Contractor to be delayed, to incur additional costs, or both.

Any failure by Purchaser to perform any of its obligations under this Contract which causes Contractor to be delayed, to incur additional costs, or both, shall cause (i) in case of delay, an extension of the Delivery Schedule to reflect the actual delay incurred by Contractor in the performance of the Work as a result

of such failure (such delay to be documented to Purchaser) and (ii) in case of additional costs, payment to Contractor by Purchaser of reasonable costs incurred by Contractor as a result of such failure (such costs to be documented to Purchaser).

Article 4. Total Price

(A) Purchaser shall pay to Contractor for the Work to be performed the Total Price as set forth in the Table below in accordance with the payment plans as set forth in Exhibit F, as such Total Price may be adjusted in accordance with the provisions of this Contract.

Unless Purchaser gives written notice to Contractor to accelerate delivery dates as set forth in Article 6(B), the Total Price shall be as set forth in the second column (Regular Delivery) of the Table below. If Purchaser does give such written notice to Contractor in accordance with Article 6(B), the Total Price shall be either as set forth in the third column (Accelerated Scenario) of the Table or such other Total Price as may be agreed by the Parties pursuant to Article 6(B).

The Total Price shall be deemed to include all transportation and insurance charges for delivery of each Deliverable Item as set forth in Article 6 and Exhibit A.

Item	Description	Price in Euro for Regular Delivery	Price in Euro for Accelerated Scenario
1	Spacecraft for Phase 1 and Phase 2	351,953,549	351,953,549
2	Spacecraft for Phase 3	268,046,761*	240,141,045
3	Launch Support Services and MOSS	40,185,471	40,185,471
4	Delta MOSS**	500,000	500,000
5	OBPE Software Access	350,000	350,000
	Total Price	**661,035,781**	**633,130,065**

***** the price for each Spacecraft in Phase 3 for Regular Delivery shall be the price for a Spacecraft in Phase 2 (total for all Spacecraft in Phase 3 equals 240,141,045 Euro), increased by the lesser of 10% of the price per Spacecraft or the actual expenses incurred by Contractor resulting from the hiatus between Phase 2 and Phase 3 production and the extension of the duration of the program. The maximum price for Item 2, Regular Delivery would be 268,046,761 Euros. Contractor shall provide to Purchaser the price increase justifications on or before July 1, 2007.
****** to be deducted from the Total Price if the Ground Control Network is awarded to Contractor no later than six (6) months after PDR.

(B) In addition to the Total Price that Purchaser shall pay in accordance with Article 4(A), Purchaser shall also be responsible for paying all custom duties, VAT, import taxes, sales taxes or charges, taxes, fees or duties of similar nature whatsoever levied in the U.S.A. or any political division thereof or in the country where the Launch Site is located or the services under this Contract are performed (except for services rendered in France or Italy or by the Subcontractors in their countries) or in the country where the Spacecraft is placed in storage as set forth in Article 29.

Such payments will be made by Purchaser in compliance with the regulations in force at that time and will not be deducted from any payment of price called for pursuant to Article 4(A) of this Contract. Purchaser shall reimburse Contractor for any payment to be made by Purchaser pursuant to this Article 4(B) but made by Contractor within thirty (30) Days of receipt by Purchaser of the electronic invoice with all relevant documentation evidencing liability for and payment of such tax, fees or duties.

(C) All payments by Purchaser pursuant to this Contract shall be made without deduction or offset of any income taxes, withholding or similar taxes, if any, of any nature whatsoever levied by Purchaser's country, any political division thereof or any other country where the Work is performed or by the country from which payment is made, unless Purchaser shall be compelled to make such deduction by government regulation, in which case Purchaser shall pay, within thirty (30) Days of receipt by Purchaser of the relating electronic invoice, any additional amount necessary in order that the net amount of payments received by the Contractor shall be equal to the amount of payments agreed to be paid pursuant to this Contract.

(D) Contractor shall be entirely responsible for all present and future taxes, levies and duties whatsoever imposed under this Contract in (i) France and (ii) any of the Subcontractors' countries (including Italy), to the extent relating to the performance of the Work, which taxes shall be paid by the Contractor or the Subcontractors when they become due.

Article 5. Bonus Payments

(A) Purchaser and Contractor agree that, at the end of the first quarter of the calendar year following the later to occur of the delivery of forty-eight (48) Spacecraft and the successful launch of the twenty-fourth Spacecraft (the "Bonus Payment Start Date"), and continuing for a period of up to fifteen (15) years thereafter, Contractor shall annually be eligible to receive from Purchaser a Bonus Payment payable in arrears and determined as set forth in this Article 5. The total of such Bonus Payments shall not be more than Seventy-Five Million (75,000,000) US Dollars.

(B) Purchaser shall provide to Contractor, by the end of the first quarter of each year following the date of PSR of the twenty-fourth (24th) Spacecraft, a written statement of Bonus Payment amount and eligibility comprising of Cumulative EBITDA as defined below, status of satisfactory operation of the Spacecraft and timeliness of delivery of Spacecraft. Payment of Bonus Payments shall be due and payable within thirty (30) Days after the date of receipt by Purchaser of the emailed invoice from Contractor.

(C) Bonus Payments shall only be made to the extent that the financial performance of Purchaser's business for the period from January 1, 2007 to December 31 of each year is equal to or better than the financial projections for the business for the same period of time as set forth in Exhibit H1. Financial performance shall be measured in accordance with GAAP, using the earnings before interest, taxes, depreciation and amortization of Purchaser for the total periods in question ("Cumulative EBITDA"). The annual Bonus Payment shall be further limited and conditioned as a result of (a) the failure of Satellites to be delivered on time or to meet the requirements of Exhibit B (as set forth in Article 5(E) and Article 5(F) below) and (b) the failure of Satellites to operate successfully in orbit (as set forth in Article 5(E) and Article 5(F) below).

(i) No Bonus Payment shall be made to Contractor whenever Purchaser's Cumulative EBITDA for the period from January 1, 2007 to December 31 of the year for which payment of a Bonus Payment would be due is less than the projected Cumulative EBITDA for the identical period as set forth on Exhibit H1.

(ii) Whenever Purchaser's Cumulative EBITDA for the period from January 1, 2007 to December 31 of the year for which payment of a Bonus Payment would be due is equal to or greater than the projected Cumulative EBITDA for the identical period, Purchaser shall make the maximum Bonus Payment permissible pursuant to the terms of this Article 5. Each year Purchaser's Cumulative EBITDA exceeds the projected Cumulative EBITDA for the identical period and the conditions of Article 5(E) and Article 5(F) are met, the annual Bonus Payment of [*] US Dollars shall be paid.

(iii) For so long as Purchaser may be obligated to pay Bonus Payments to Contractor pursuant to this Article 5, Purchaser shall calculate Cumulative EBITDA using the same methodology as is used in Exhibit H1. Nothing in this Article 5 shall prohibit Purchaser from changing its accounting methodology for other purposes, so long as Purchaser is able and does continue to use the same methodology to calculate Cumulative EBITDA.

(D) In each of the fifteen (15) years that a Bonus Payment may be made, as well as during the years prior to the Bonus Payment Start Date when Contractor may earn the right to receive Bonus Payment after the Bonus Payment Start Date, [*] of each such payment or earned right shall be further conditioned upon the delivery schedule as set forth in paragraphs (E)(i) and (F)(i) of this Article 5, and [*]of each such payment or earned right shall be further conditioned upon satisfactory operation of Satellites as set forth in paragraphs (E)(ii) and (F)(ii) of this Article 5.

(E) Each year after the delivery of the first twenty-four (24) of Satellites and prior to the Bonus Payment Start Date, Contractor shall earn the right to receive a Bonus Payment to be calculated in accordance with this Article 5(E). Such Bonus Payments shall not be paid by Purchaser until the first payment date after the Bonus Payment Start Date. The Bonus Payment earned for each year after the delivery of the first twenty-four (24) Satellites until the Bonus Payment Start Date shall be paid at the same time in addition to the first annual Bonus Payment to be paid pursuant to this Article 5(E).

(i) The [*] portion of such Bonus Payment related to timely delivery shall be earned for each Batch of Spacecraft delivered thirty (30) Days or less after the scheduled PSR date for the last Spacecraft of that Batch. Calculation of the Bonus Payment payable for each year of this period shall be equal to [*] US Dollars times the number of Spacecrafts delivered in each Batch through the year for which the calculation of the Bonus Payment earned is made.

(ii) The remaining [*] portion of the Bonus Payment shall be earned for each Satellite operating satisfactorily in space according to the criteria defined in Exhibit H2. Calculation of the Bonus Payment payable for each year of this period shall be made by multiplying [*] US Dollars times the number of Satellites operating successfully as of December 31 of each year for which the calculation is being made.

(F) During the period from the Bonus Payment Start Date to the end of the fifteen (15) year thereafter, Contractor shall be entitled to receive annual Bonus Payments to be calculated in accordance with this Article 5(F).

(i) The [*] portion of the annual Bonus Payments related to timely delivery shall be calculated by multiplying [*] US Dollars times the number of Spacecraft delivered before or within at least thirty (30) Days after its scheduled PSR date. The amount shall be the portion of each annual Bonus Payment related to timely delivery for each year during this period.

(ii) The remaining [*] portion of the annual Bonus Payments shall be earned if the number of satisfactorily operating satellites is equal to or greater than the number given in Table 1 for a given year for a given Delivery Schedule. Satellites are deemed to be satisfactorily operating if the criteria defined in Exhibit H2 is met. If the number of satisfactorily operating satellites is less than the number given in Table 1 for a given year but greater than or equal to forty (40), a reduced Bonus Payment may be made.

For each satellite less than the number in Table 1, the Bonus Payment portion shall be reduced by [*] as long as the total number of operating satellites is greater than or equal to forty (40). For example, in 2020 if there are only forty-two (42) satisfactorily operating satellites, only [*] of the possible [*] portion of the annual Bonus Payment shall be paid; if forty-one (41) satisfactorily operating satellites, only [*] of the possible [*] portion of the annual Bonus Payment shall be paid; if forty (40) satisfactorily operating satellites, only [*] of the possible [*] portion of the annual Bonus Payment shall be paid; however, if only thirty-nine (39) satisfactorily operating satellites, no portion of the possible [*] portion of the annual Bonus Payment shall be paid.

Table 1
Minimum Number of Operating
Satellites In a Given Year for
each Delivery Schedule

	Regular Delivery	Accelerated Scenario	Aggressively Accelerated Scenario
2011			46
2012		46	46
2013	46	46	46
2014	46	46	45
2015	46	45	45
2016	45	45	44
2017	45	44	44
2018	44	44	43
2019	44	43	43
2020	43	43	43
2021	43	42	42
2022	42	42	42
2023	42	41	41
2024	41	41	41
2025	40	40	40
2026	12	12	
2027	4		

(G) For the purpose of this Article 5, a Spacecraft placed in storage pursuant to Article 29 or a Spacecraft which is a total loss as a result of a launch failure shall be deemed to be operating in orbit satisfactorily. In addition, the conditions of Articles 5(E)(i) and 5(F)(i) relating to late delivery shall apply to a Spacecraft put into storage.

Article 6. Delivery and Delivery Schedule

(A) The Delivery Schedule is identified in the Table below. Delivery of a Spacecraft (other than Spacecraft delivered for storage as directed by Purchaser in accordance with Article 29) shall be deemed to have occurred at Pre-Shipment Review. Delivery of a DSS shall be deemed to have occurred upon completion of the Simulator Completion Review.

Item	Description	Delivery Date or date of performance	Delivery Place
1	Spacecraft	Per Exhibit F	Contractor’s facilities
2	Satellite propellant	Per Exhibit A	Per Article 6(C)
3	DSS	Per Exhibit A	Milpitas, CA El Dorado Hills, CA
4	Satellite OBPE Software	Per Exhibit A	Milpitas, CA
5	Launch Support Services	Per Exhibit A	Launch Site
6	MOSS	Per Exhibit A	Milpitas, CA
7	Documentation	Per Exhibit A	Milpitas, CA

(B) On or before July 1, 2008, Purchaser shall have the right to accelerate the delivery dates for Spacecraft to be delivered under Phase 3, as set forth in Article 2(D), by giving written notice to Contractor. The notification shall include which Accelerated Scenario has been selected by Purchaser. If delivery were accelerated for some but less than all of the Satellites in Phase 3, or for less than a twenty-one (21) month hiatus in production, the Parties shall enter into good faith negotiation on price reduction of the price for Phase 3 prorated on the basis of the number of Satellites accelerated and the timing of their delivery.

In such case, the payment plan to be considered will be the one corresponding to the selected Accelerated Scenario as set forth in Exhibit F and Purchaser shall increase, or shall cause NEWCO to increase, at the time of Purchaser’s written notice, the amount of the Escrow Account in order to cover the aggregate amount of payments due for the two (2) following quarters under the selected Accelerated Scenario. Such increase of the amount of the Escrow Account is a condition for the start of the Accelerated Scenario.

Failing any notification by Purchaser on or before July 1, 2008, then the delivery dates for Spacecraft to be delivered under Phase 3 shall be made pursuant to the Regular Delivery as set forth in Exhibit F and the payment plan to be considered will be the one corresponding to the Regular Delivery as set forth in Exhibit F.

(C) Each Spacecraft which is Available for Shipment shall be transported along with associated Ground Support Equipment at Contractor’s risk and expense Delivered Duty Unpaid, Incoterms 2000, to the airport nearest to the Launch Site selected for the launch of the respective Spacecraft, unless Purchaser directs Contractor to deliver the Spacecraft to storage in accordance with Article 29.

The propellant shall be transported at Contractor’s risk and expense Delivered Duty Unpaid, Incoterms 2000, to the harbour agreed with the Launch Service Provider. The Launch Service Provider shall be responsible at its own costs to transport (i) the Spacecraft from the airport to the Launch Site, (ii) the propellant from the harbour to the Launch Site, and (iii) the Satellites and the propellant within the Launch Site.

If the Spacecraft requires repair after delivery to the Launch Site, all transportation from the Launch Site to the repair facility and back shall be at the expense of Contractor. Contractor shall be responsible at its risk and expense for removing or disposing all of its Ground Support Equipment and remaining Satellite

propellant, if any, used on or brought to the Launch Site from the Launch Site after completion of launches.

The DSSs and the Satellite OBPE Software shall be transported at Contractor's risk and expense Delivered Duty Unpaid, Incoterms 2000, to the required destination as specified in the Table above.

(D) The Contractor shall promptly notify Purchaser in writing of any event which may delay or prevent the performance by Contractor of any of its obligations under this Contract.

Article 7. Payment

(A) Payment terms shall be in accordance with this Article 7 and Exhibit F to this Contract. Purchaser shall pay all invoices within thirty (30) Days after the date of receipt of an emailed invoice confirmed electronically.

(i) Starting January 1, 2007 and until the Contract is paid in full, Contractor shall on the first Day of each quarter provide Purchaser with one (1) original of the invoice for the total amount of payments due during that quarter, including both calendar payments and payments for Milestone Events, in accordance with Exhibit F. So there is no misunderstanding, the Parties agree that the invoice for and payment of the first payment (fourth quarter of 2006) shall be handled as set forth in Article 32.

(ii) Beginning with the quarter that starts April 1, 2007, Contractor shall deliver to Purchaser, along with each quarterly invoice, supporting documentation confirming completion of the Milestone Events which were to have been achieved during the quarter prior to the quarter in which the invoice is delivered.

(B) Should Contractor fail to achieve during a given quarter one or more Milestone Events for which payment has already been made, then Contractor shall deduct the amount relating to each such unachieved Milestone Event from the invoice Contractor delivers at the beginning of the following quarter.

Except as set forth in the preceding sentence, any delay in the achievement of a particular Milestone Event will have no impact on the amount invoiced at the beginning of the subsequent quarter. Any amount deducted in accordance with this Article 7(B) will be re-invoiced with supporting documentation submitted with the invoice for the quarter following completion of such Milestone Event, and Purchaser shall make payment to Contractor in accordance with such invoice after such completion.

(i) If after five (5) Business Days from the date of receipt of an invoice, Purchaser has not notified Contractor of a dispute of the invoice, stating the reason for such dispute, then all Milestone Events scheduled to occur during the preceding quarter shall be deemed complete, and payment shall be due and payable within thirty (30) Days of receipt of the emailed invoice. For purposes of Exhibit F, a Milestone Event shall be deemed to have been completed by Contractor when all requirements associated with the particular Milestone Event shall have been completed in accordance with the provisions of the Contract.

(ii) If Purchaser disputes only part of a Milestone Event, then Purchaser shall pay to the Contractor the amount corresponding to the undisputed portion of such Milestone Event.

The Parties agree to negotiate in good faith the settlement of the disputed portion and the agreed upon amount shall be paid by Purchaser after such settlement. No dispute with respect to the payment of any amount under this Contract shall relieve the disputing Party of its obligation to pay all other amounts due and owing under this Contract. The Parties agree that in no event shall there be a dispute about a calendar payment, and that a dispute over a Milestone Event payment shall not relieve Purchaser of its obligation to make subsequent payments.

(C) The Parties agree that a portion of the Total Price as set forth in Article 4 amounting to one hundred forty six million eight hundred thirty one thousand five hundred thirty Euros (146,831,530 Euros) shall be invoiced in Euros and paid by Purchaser to Contractor in US Dollars based on the fixed EUR/USD exchange rate of 1 Euro = US Dollar 1.2940. This amount will not be subject to increase or decrease due to changes in exchange rates between the Euro and the US Dollar. The payment schedule for this amount payable in US Dollars is as set forth in Exhibit F. All other payments set forth in the Contract will be invoiced by and paid to Contractor in Euros.

(D) Contractor may, from time to time, submit an invoice requesting partial payment for a partially completed Milestone Event. If Purchaser, in Purchaser's reasonable judgment, determines such partial payment to be appropriate under the circumstances, then Purchaser shall make such partial payment, and the remainder of the Milestone Event payment shall be paid at such time as the Milestone Event is completed.

(E) In the event that Contractor achieves any Milestone Event in advance of the scheduled achievement date provided for in Exhibit F and provided that the cumulative amount of payments shall not exceed the schedule set forth in Exhibit F, then, subject to Purchaser's agreement, the Contractor shall be entitled to invoice the Purchaser for such achieved Milestone Event. Purchaser shall pay for any such Milestone Event, subject to having received the required supporting documentation.

(F) Unless otherwise agreed in writing by the Party entitled to payment, all transfers of funds in accordance with this Contract from one Party to the other Party shall be sent to the receiving Party by wire transfer of immediately available funds to the following bank accounts :

Alcatel Alenia Space France

For payments in Euros :

Alcatel Alenia Space France
Société Générale Toulouse
Address : Innopole Voie 8 - BP 500 - 31316 Labège Cedex, France
Swift Code : [*]
Account n° [*]

For payments in US Dollars :
Alcatel Alenia Space France
ABN AMRO BANK
New-York Branch
Address : 55 East 52 Street, New York, New York 10055,U.S.A.
Swift Code : [*]
Routing Number : [*]
Account n° [*]

Globalstar, Inc.

For payments in US Dollars :
Union Bank of California
Address : 350 California Street, 10th Floor, San Francisco, CA 94104, U.S.A.
Routing Number : [*]
Account n° [*]

or such other account as the relevant Party may specify from time to time in writing.

Any payment due by Purchaser shall be deemed to have been made when the Contractor's bank account has been credited of the amount of such payment.

If any payment would otherwise be due under this Contract on any Day that is not a Business Day, such payment shall be due on the succeeding Business Day.

(G) Payments required to be made by either Party to this Contract and not received within the due date plus ten (10) Days shall bear interest at the Interest Rate for each Day from the tenth (10th) Day following the due date until the date of actual payment. Such interest due pursuant to this Article 7(G) will be included in the next quarterly invoice. In the event the Contractor elects to draw from the Escrow Account as set forth in Article 22(B), then the provisions of this Article 7(G) shall not apply.

(H) The Contractor shall send one (1) copy of each invoice to Purchaser by email to [*] with confirming email to [*].

The Contractor may request status of payment by calling [*] in Accounts Payable at [*].

The address reference to be put on the invoice is :
Globalstar, Inc.
461 South Milpitas Boulevard
Milpitas, California 95035, U.S.A.

The Contractor may send one (1) hard copy of each invoice to Purchaser at address referenced above to the attention of [*].

(I) All payments due and payable under the Contract shall be secured by an Escrow Account which Purchaser shall cause to be funded directly or by NEWCO in accordance with the Escrow Agreement. The amount in the Escrow Account shall at any time be equal to the aggregate amount of payments due for the two (2) following quarters as identified in Exhibit F. The funding of such Escrow Account shall be of an initial amount of forty million (40,000,000) Euros.

In the event that NEWCO is a party to the Escrow Agreement, Purchaser shall be obligated to cause NEWCO duly to perform all of its obligations under the Escrow Agreement. To the extent (if any) NEWCO does not have sufficient funds duly to perform its obligations under the Escrow Agreement, Purchaser shall be obligated to lend such funds to NEWCO as a contribution to its capital.

The Parties may mutually agree to replace the Escrow Agreement with some other form of security. In addition, upon request by Purchaser and provided Purchaser has made consistent timely payments as required, Contractor may determine if continued Escrow Agreement or security may be revisited.

Article 8. Inspection and Acceptance

Contractor shall perform the following tests and reviews:

(A) Spacecraft

(i) Each Spacecraft shall undergo a Pre-Shipment Review, as described in section 5.8 of Exhibit A. Purchaser shall notify Contractor of its acceptance or objection of the Pre-Shipment Review within one (1) Day following performance of the PSR. Failure of Purchaser to so notify Contractor shall be deemed to constitute acceptance of said PSR. Upon successful completion of the Pre-Shipment Review (i.e Pre-Shipment Review complies with the provisions of section 5.8 of Exhibit A), the Parties shall sign a Pre-Shipment Review Acceptance Certificate. If Purchaser objects, it shall provide detailed reasons for such objection to Contractor within two (2) Days of performance of such Pre-Shipment Review.

Contractor shall then proceed to resolve the reason for the objection and upon resolution the Parties shall sign the Pre-Shipment Review Acceptance Certificate. After completion of the PSR, the Spacecraft shall be deemed Available for Shipment and Purchaser will provide to Contractor shipment directions.

(ii) Upon arrival of a Spacecraft at the Launch Site, Contractor shall promptly conduct a Satellite Post-Shipment Verification Review for each Spacecraft. Thereafter, Contractor shall perform tests in accordance with the Launch Site Test Plan and relevant portions of Exhibit C, in the presence of Purchaser unless Purchaser advises Contractor that such tests can be performed in its absence.

(iii) Contractor shall then conduct a Flight Readiness Review as set forth in section 5.10 of Exhibit A, whereupon Contractor shall either certify Spacecraft compliance or notify Purchaser of those items which fail to meet the requirements of Exhibits B and C. Upon Contractor certification of Spacecraft compliance, or upon satisfactory completion by Contractor of other conditions sufficient to remedy those items that failed to meet the requirements of Exhibits B and C, mutually acceptable to Purchaser and Contractor, FRR shall be deemed successfully completed and Contractor shall be authorized to proceed to the Launch Readiness Review.

(iv) Each Spacecraft shall undergo a LRR, as described in section 5.11 of Exhibit A. If the LRR complies with the provisions of section 5.11 of Exhibit A, Purchaser shall notify Contractor of its acceptance of the LRR following completion. Upon such notification, a Spacecraft shall be ready for launch unless, at any time prior to Intentional Ignition, Contractor shall notify Purchaser if a Spacecraft is not ready for launch. Upon such notification and prior to launch, Contractor shall remedy such particulars or satisfactorily complete other conditions mutually acceptable to Purchaser and Contractor.

(v) Final Acceptance of a Spacecraft not being delivered into storage shall occur upon Intentional Ignition, except that in case of occurrence of an event as set forth in Article 9(C), Final Acceptance shall be deemed not to have occurred. Final Acceptance of a Spacecraft being delivered into storage shall be made upon delivery of the Spacecraft to the storage site, in accordance with the provisions of Article 29.

(B) DSSs

(i) Contractor shall conduct a Factory Acceptance Test Review on the DSSs at Contractor's facilities. Upon successful completion of the Factory Acceptance Test Review, Contractor shall so certify to Purchaser. Purchaser shall have two (2) Days from receipt of such certification to notify Contractor in writing of those particulars which do not meet the requirements of the Contract.

Upon such notification by Purchaser, Contractor shall remedy such particulars or satisfactorily complete other conditions mutually acceptable to Purchaser and Contractor after which Contractor shall proceed to ship each DSS to the designated DSS site. If Purchaser does not so notify Contractor within two (2) Days, Contractor shall proceed to ship each DSS to the designated DSS site.

(ii) A Simulator Completion Review shall be conducted following full and complete installation and testing of the DSS at the designated DSS Site in accordance with Exhibit A. Contractor and Purchaser shall, within two (2) Days after the successful completion of Simulator Completion Review, certify in writing on a form, mutually agreed, that Final Acceptance of the DSSs has occurred. If Purchaser fails to reject or certify acceptance within such two (2) Days after the successful completion of Simulator Completion Review, Final Acceptance of the DSSs shall be deemed to have occurred.

(iii) If a DSS is non-conforming to the specifications defined in Exhibit E, Purchaser shall so notify Contractor (with detailed reasons for such non-compliance given in the notification), and such non-compliance shall be corrected by Contractor. Upon such correction, followed by a delta Simulator Completion Review, if necessary, acceptable to Purchaser, Final Acceptance shall be deemed to have occurred.

(C) Upon completion of a Milestone Event other than for PSRs as set forth in Article 8 (A), Contractor shall issue and send to Purchaser a Milestone Event acceptance certificate. Purchaser shall notify Contractor of its acceptance or rejection of a Milestone Event within five (5) Business Days from the date of receipt of the Milestone Event acceptance certificate, failing which such Milestone Event shall be deemed successfully completed. In case of acceptance, the Parties shall sign the Milestone Event acceptance certificate. In case of rejection, Purchaser shall state in writing the reasons for such rejection and Contractor shall implement necessary corrective measures. After such correction to the satisfaction of Purchaser, such Milestone Event shall be deemed successfully completed and the Parties shall sign the Milestone Event acceptance certificate.

Article 9. Title and Risk of Loss

(A) Subject to the provisions of this Contract:

(i) title to and risk of loss for a Spacecraft and propellant on board such Spacecraft shall pass from Contractor to Purchaser upon Intentional Ignition, except as provided in Articles 9(C) and 9(E).

(ii) risk of loss for DSSs shall pass from Contractor to Purchaser upon Delivery to the place set forth in Article 6. Title to DSS shall pass from Contractor to Purchaser upon Final Acceptance thereof.

(iii) risk of loss and title to for the Satellite OBPE Software shall pass from Contractor to Purchaser upon Delivery to the place set forth in Article 6.

Any loss or damage to such items prior to Purchaser's assumption of risk of loss shall be at Contractor's risk, unless such loss or damage is caused by the negligent acts or omissions or willful misconduct of Purchaser.

(B) Title to Spacecraft, propellant on board the Spacecraft, Satellite OBPE Software and DSSs shall pass to Purchaser free and clear of any claims, liens, encumbrances and security interests of any nature. Contractor shall not grant to third parties any lien, encumbrance or security interest of any nature on Spacecraft, propellant on board the Spacecraft, Satellite OBPE Software and DSSs.

(C) Contractor hereby agrees following Intentional Ignition, should the launch sequence be successfully terminated prior to lift-off of the Launch Vehicle, then at the subsequent time the launch pad is declared safe by the Launch Services Provider, title, care, custody and control and risk of loss to Spacecraft and propellant shall revert to Contractor. In the event of such an occurrence, Contractor shall be paid by Purchaser for additional documented costs, if any, incurred by Contractor in relation to additional premium due directly as the result of an extension by it of any insurance policy it may have relating to the Spacecraft. This paragraph may be adjusted as necessary to be consistent with the Launch Services Agreement and the Launch Insurance policy.

(D) Should the subsequent launch following an aborted launch as set forth in Article 9(C) above, be delayed through no fault of Contractor, and any Spacecraft has to be removed from the Launch Vehicle and has to be returned to Contractor's facility or a designated storage site at Launch Site, all costs resulting from extension of the period for the launch campaign (including costs associated with on-orbit support personnel already deployed to other locations) shipping costs, costs for re-testing and restoring the Spacecraft to flight-worthy condition, off-site storage charges (if any) and insurance coverage for return to the Launch Site and subsequent launch will be at Purchaser's expense, as determined pursuant to Article 19(C).

(E) In the event a Spacecraft is placed in storage as set forth in Article 29(A), title and risk of loss to such Spacecraft shall pass to Purchaser upon both completion of the tasks specified for placement into storage as required by the Storage Plan and payment to Contractor of all outstanding amounts as set forth in Exhibit F less an amount of [*] Euros per Spacecraft stored corresponding to the portion of the Launch Support Services and MOSS not yet performed. This amount will be paid to Contractor at the time of removal of the Spacecraft from storage.

Prior to storage, Contractor shall file (or shall cause a Subcontractor to file), on behalf of Purchaser and at Purchaser's expense, necessary application with custom authorities for the issuance of an active job processing, or any other adequate instrument, with respect to a stored Spacecraft in order to get an exemption of taxes and duties.

Article 10. Access to Work in Progress

(A) Subject to applicable government regulations, Contractor shall afford Purchaser access to all WIP, including without limitation Technical Data and information, test data, documentation (not containing cost information), testing and hardware, being performed at Contractor's facilities pursuant to this Contract during the period of Contract performance as set forth in section 1.5 of Exhibit A, provided that such access does not unreasonably interfere with such WIP or any other work.

(B) Contractor shall afford Purchaser access to WIP being performed pursuant to this Contract in Subcontractor's facilities to the extent Contractor obtains such access, subject to the right of Contractor to accompany Purchaser on any such visit and subject further to the execution by Purchaser of such non-disclosure or similar agreements as may be required by Subcontractors. Contractor shall use its best efforts to obtain access to the WIP being performed in Subcontractor's facilities.

Article 11. Progress Meeting, Presentations and Reports

(A) In addition to any other meetings called for under the provisions of this Contract, Contractor shall provide the personnel, facilities, materials and support to conduct the following meetings and presentations with Purchaser, provided that such meetings and presentations do not unreasonably interfere with Contractor's performance : (i) informal Program Manager meetings ; (ii) informal project level technical review meetings ; and (iii) management level presentations as deemed appropriate by Contractor or Purchaser's management and subject to reasonable prior notice by Purchaser.

(B) Contractor shall deliver to Purchaser all reports as described in Exhibit A. The Parties agree to utilize a secure, electronic-based system for delivery of reports and documents (which may include exceptions on its use for certain documents).

Article 12. Intellectual Property Rights

(A) Purchaser shall protect all Intellectual Property to which Purchaser has a right of access pursuant to Article 10, or that is or may be disclosed by Contractor to Purchaser, from disclosure to third parties in the same manner in which Purchaser protects its own IP, in accordance with and subject to Article 14.

(B) Notwithstanding any other provision of this Contract, the ownership in and title to Background IP delivered to Purchaser by Contractor in accordance with this Contract shall remain in Contractor or its licensors. Contractor hereby grants to Purchaser a fully paid up, non-exclusive, perpetual, irrevocable (except as set forth herein), world-wide and non-transferable (except as part of a sale of the business or by operation of law) license (with right to sublicense to third parties) to use, duplicate, adapt, make derivatives and disclose its Background IP (and its related documentation) and other Deliverable Items for the the use, operation, enhancement and maintenance of the Globalstar System pursuant to this Contract and the existing Globalstar network.

(C) Title to all Foreground IP shall remain with Contractor, provided, that Contractor shall not use or have, or permit others to use, Foreground IP related to the payload of the Spacecraft for the purpose of engaging in business activity that would be in direct competition with the Globalstar System. Contractor hereby grants to Purchaser a fully paid up, non-exclusive, perpetual, irrevocable (except as set forth herein), world-wide and non-transferable (except as part of a sale of the business or by operation of law) license (with right to sublicense to third parties) to use, duplicate, adapt, make derivatives and disclose its Foreground IP (and its related documentation) and other Deliverable Items for the use, operation, enhancement and maintenance of the Globalstar System pursuant to this Contract, the existing Globalstar network and future similar contracts and such Globalstar network as it will exist under such future similar contracts.

(D) Purchaser hereby grants to Contractor a fully paid up, non-exclusive, perpetual, irrevocable (except as set forth herein), world-wide and non-transferable (except as part of a sale of the business or by operation of law) license (with right to disclose to Subcontractors who are signatories of the TAA as set forth in Appendix 2) to use, adapt and disclose the patents identified as being "granted" as set forth in Exhibit I for the purpose of performance of the Work under this Contract. In addition, Contractor reserves the right to request and receive copies of Technical Data which are owned by Purchaser for use for the performance of the Work. Purchaser grants to Contractor a license to use such Technical Data under the same type of license as Purchaser grants to Contractor in this Article 12(D), subject to the TAA.

Article 13. 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) Notwithstanding the foregoing, it is understood by the Parties that Contractor is authorized to release information relative to the Work as may be required to notify its other customers as to satellite performance issues, provided that such information shall contain no identification of Purchaser or Purchaser's designation of Work, subject to government requirements.

(C) Nothing contained herein or in the Mutual Nondisclosure Agreement between Purchaser and Contractor, dated November 2, 2006 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 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.

(D) 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 14. Confidentiality

The Parties agree that all exchanges of proprietary information shall be governed by the Mutual Nondisclosure Agreement between Purchaser and Contractor, dated November 2, 2006 as set forth in Appendix 1, as such Agreement may be amended.

Article 15. Intellectual Property Rights Indemnity

(A) Contractor shall indemnify, defend and hold harmless Purchaser and its affiliates and their respective directors, officers, agents and employees, against any claims, damages, losses, costs (including attorneys' fees) incurred in connection with any claim, suit, or proceeding asserted or filed against Purchaser relating to infringement of any patent, copyright, trade secret, trademark or other proprietary right based on the laws of the United States and EU, or a country where Contractor or any Subcontractor is located (except that such indemnification shall not apply to any patent identified as being "granted" as set forth in Exhibit I), by any Spacecraft or DSS to be delivered hereunder, or any part thereof or arising out of Contractor's performance of its obligations under the Contract. Purchaser shall notify Contractor promptly in writing of any such claim, suit or proceeding, and give Contractor proper and full information, of which it is aware, and reasonable assistance to settle and/or to defend any such claim, suit, or proceeding. At its option and expense, Purchaser may participate in the defense of such claim, suit or proceeding with counsel of its own choosing. In addition, the indemnification shall also apply if in the reasonable opinion of Contractor's outside intellectual property counsel, any Spacecraft or DSS to be delivered hereunder or any part thereof may become the subject of any claim, suit, or proceeding for infringement of any such patent, copyright, trade secret, trademark or other proprietary right.

(B) In case of such a claim as set forth in Article 15(A), Contractor shall, at its option and expense, either (i) procure for Purchaser the right under such patent, copyright, trade secret, trademark or other proprietary right, to use, lease, or sell, as appropriate, such Spacecraft or DSS, or part thereof, or (ii) replace or modify such Spacecraft or DSS, or part thereof, so that it becomes non-infringing but continues to meet the requirements of the Contract.

(C) Contractor shall have no liability for and the provisions of Article 15(A) shall not apply for any infringement arising from (i) the combination of such Spacecraft or DSS, part thereof or process practiced therein with any other Spacecraft or DSS or part not furnished to Purchaser by Contractor unless such Spacecraft or DSS, part or process furnished by Contractor contributorily infringes, or (ii) the modification of such Spacecraft or DSS, part thereof or process practiced therein, unless such modification was made or authorized by Contractor, or (iii) the use of any patent identified as being “granted” as set forth in Exhibit I.

(D) Contractor’s total liability to Purchaser under this Article 15 shall not exceed [*] of the Total Price. This Article 15 states the entire obligation of Contractor and the exclusive remedy of Purchaser, with respect to any alleged patent, copyright, trade secret or trademark infringement by such product or part or process.

Article 16. Limitation of Liability

(A) THE PARTIES EXPRESSLY RECOGNIZE THAT COMMERCIAL SPACE VENTURES INVOLVE SUBSTANTIAL RISKS AND RECOGNIZE THE COMMERCIAL NEED TO DEFINE, APPORTION AND LIMIT CONTRACTUALLY ALL OF THE RISKS ASSOCIATED WITH THIS COMMERCIAL SPACE VENTURE. THE PAYMENTS AND OTHER REMEDIES EXPRESSLY SET FORTH IN THIS CONTRACT FULLY REFLECT THE PARTIES’ NEGOTIATIONS, INTENTIONS AND BARGAINED-FOR ALLOCATION OF THE RISKS ASSOCIATED WITH COMMERCIAL SPACE VENTURES.

EXCEPT AS SPECIFICALLY PROVIDED IN THIS CONTRACT, CONTRACTOR MAKES NO WARRANTIES OR REPRESENTATIONS, EXPRESS OR IMPLIED, WITH RESPECT TO THE CONTRACT OR THE PERFORMANCE OF THE CONTRACTOR OR THE WORK HEREUNDER, WHETHER ARISING AT LAW OR IN EQUITY AND ALL SUCH WARRANTIES AND REPRESENTATIONS, EXPRESS OR IMPLIED, AT LAW OR IN EQUITY ARE, TO THE EXTENT PERMITTED BY LAW, EXCLUDED.

(B) IN NO EVENT SHALL CONTRACTOR OR ITS SUBCONTRACTORS BE LIABLE TO PURCHASER FOR INCIDENTAL, INDIRECT, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES (INCLUDING ANY LOSS OF PROFIT OR ANY OTHER SIMILAR LOSS) WHETHER ARISING IN CONTRACT, TORT, STRICT LIABILITY, OR UNDER ANY OTHER THEORY OF LIABILITY RESULTING FROM ANY BREACH OF THIS CONTRACT OR WITH RESPECT TO ANY DEFECT, NON-CONFORMANCE OR DEFICIENCY IN ANY INFORMATION, INSTRUCTIONS, SERVICES OR OTHER THINGS PROVIDED PURSUANT TO THIS CONTRACT. THE FOREGOING EXCLUSION SHALL APPLY WHETHER OR NOT FORESEEABLE OR EVEN IF CONTRACTOR HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. SPECIFICALLY, BUT WITHOUT LIMITATION TO THE FOREGOING, CONTRACTOR AND ITS SUBCONTRACTORS SHALL NOT BE LIABLE TO PURCHASER FOR ANY SUCH DAMAGES RESULTING FROM ANY LOSS OR DESTRUCTION OF A SPACECRAFT OR FAILURE OF A SPACECRAFT OR ITS SUBSYSTEMS TO OPERATE SATISFACTORILY.

(C) IN NO EVENT SHALL PURCHASER BE LIABLE TO CONTRACTOR OR ITS SUBCONTRACTORS FOR INCIDENTAL, INDIRECT, ONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES (INCLUDING ANY LOSS OF PROFIT OR ANY OTHER SIMILAR LOSS) WHETHER ARISING IN CONTRACT, TORT, STRICT LIABILITY, OR UNDER ANY OTHER THEORY OF LIABILITY RESULTING FROM ANY BREACH OF THIS CONTRACT. THE FOREGOING EXCLUSION SHALL APPLY WHETHER OR NOT FORESEEABLE OR EVEN IF PURCHASER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(D) PURCHASER AND CONTRACTOR SHALL BE BOUND TO THE FLOW-DOWN REQUIREMENTS OF THE LAUNCH SERVICES AGREEMENT APPLICABLE TO CONTRACTOR REGARDING ALLOCATIONS OF RISK, WAIVERS OF SUBROGATION, INDEMNIFICATIONS AND INTER-PARTY WAIVERS OF LIABILITY INVOLVED IN LAUNCH OPERATIONS. SUCH FLOW-DOWN SHALL BE INCLUDED IN AN AMENDMENT TO THIS CONTRACT TO BE ENTERED INTO AND CONFIRMED BETWEEN THE PARTIES PRIOR TO THE COMMENCEMENT OF LAUNCH SUPPORT SERVICES.

(E) PURCHASER AGREES TO ENTER INTO AGREEMENTS WITH THE LAUNCH SERVICES PROVIDER TO DISCLAIM ANY LIABILITY OF CONTRACTOR TO THE LAUNCH SERVICES PROVIDER FOR INCIDENTAL, INDIRECT, CONSEQUENTIAL OR SPECIAL DAMAGES. PURCHASER ALSO AGREES TO CAUSE ITS LAUNCH RISK INSURERS TO WAIVE ALL RIGHTS OF SUBROGATION AGAINST CONTRACTOR AND SUBCONTRACTORS.

(F) BOTH PARTIES’ SOLE AND EXCLUSIVE REMEDIES AND OBLIGATIONS FOR ANY BREACH OF THIS CONTRACT OR WITH RESPECT TO ANY DEFECT, NON-CONFORMANCE OR DEFICIENCY IN ANY INFORMATION, INSTRUCTIONS, GOODS, SERVICES OR OTHER THINGS PROVIDED PURSUANT TO THIS CONTRACT ARE LIMITED TO THOSE SET FORTH IN THIS CONTRACT, AND ALL OTHER REMEDIES OR RECOURSE AGAINST THE OTHER PARTY OF ANY KIND ARE EXPRESSLY DISCLAIMED AND FOREVER WAIVED.

(G) NOTWITHSTANDING ANY OTHER LANGUAGE IN THIS CONTRACT TO THE CONTRARY, CONTRACTOR’S TOTAL LIABILITY TO PURCHASER SHALL NOT EXCEED (i) [*] OF THE TOTAL PRICE IN CASE OF REGULAR DELIVERY AND (ii) [*] OF THE TOTAL PRICE IN CASE OF ACCELERATED SCENARIO. NOTWITHSTANDING ANY OTHER LANGUAGE IN THIS CONTRACT TO THE CONTRARY, PURCHASER’S TOTAL LIABILITY TO CONTRACTOR SHALL NOT EXCEED [*] LESS ANY PAYMENTS MADE.

Article 17. Excusable Delays

(A) Any delay or failure in the performance of a Party's obligations under this Contract (other than payment obligations) shall be excused, and such Party will not be liable for, or be in default for, such delay or non-performance, if the cause of the delay or non-performance is, in whole or in part, beyond such Party's reasonable control and without the negligence of such Party (or its Subcontractors at any tier).

Purchaser acknowledges that following the end of an excusable delay event, Contractor shall resume full performance as soon as commercially practicable after the end of an excusable delay event, and the schedule of performance shall be deemed modified to reflect such recommencement of performance. Payments obligations of Purchaser shall be suspended only for the portion of Contractor's performance of Work affected by the excusable delay.

(B) Excusable delays shall be conclusively deemed to include, but are not limited to Acts of God or of the public enemy; acts or omissions of governmental bodies, including the FCC, in their sovereign capacities or contractual capacities (including the inability to obtain and/or the suspension, withdrawal, or non-renewal of export or import licenses required for the performance of the Contract); acts of war (declared or undeclared), fires, earthquakes, floods, other unusually severe weather conditions such as hurricanes, tornadoes and typhoons, epidemics, quarantine restrictions, strikes, component or parts alerts**,** labor and other industrial disputes, terrorist acts and freight embargoes sabotage, riots, theft; introduction of malicious code; failures or interruptions in essential services or equipment (e.g., electrical power, telecommunications, fuels, water); embargoes and other transportation failures.

(C) The Party whose performance is delayed under Section 17(A) shall give notice in writing to the other Party within seven (7) Business Days after an excusable delay shall have occurred or such notifying Party knows of an excusable delay, whichever is later. Notwithstanding the foregoing, a Party's failure to provide such notice shall not prevent such an event from qualifying as an excusable delay, except to the extent the failure to so notify prejudices the other Party's ability to mitigate the impact of the delay or non performance. Such notice shall also be given at the termination of the excusable delay. The delivery requirements shall only be extended, upon mutual agreement of the Parties, by such period of time as is justified by the evidence forwarded in the notice, but in any event not less than one (1) Day for one (1) Day of excusable delay.

(D) Should excusable delays total, or be likely to total, six (6) consecutive months or more, Purchaser, at its option, may terminate this Contract with respect to unlaunched Spacecraft by written notice to Contractor and the conditions of Article 21 shall apply. Purchaser's right to terminate pursuant to this Article 17(D) shall not apply to the extent that excusable delays do not affect Contractor's ability to perform (*i.e.*, such excusable delays affect Purchaser only).

Article 18. Liquidated Damages for Late Delivery

(A) Contractor understands that delays in Delivery of Satellites required herein may cause Purchaser to incur additional cost, loss of revenues and other damages, which damages are difficult to estimate but the Parties acknowledge are likely to be significant. Accordingly, the Parties agree to fixed and liquidated damages for late Delivery of Satellites which damages are intended to be compensatory, not a penalty and are in lieu of actual damages incurred by the Purchaser.

(B) The required Delivery Dates for Spacecraft under this Contract are the following :

Satellites completed PSR	Date of PSR (Regular)	Date of PSR (Accelerated)	Date of PSR (Aggressively Accelerated)
TOTAL: 5 Satellites (FM 2,3,4,5,6)	Sep 30, 2009	Sep 30, 2009	Sep 30, 2009
TOTAL: 9 Satellites (FM 7,8,9,10)	Nov 13, 2009	Nov 13, 2009	Nov 13, 2009
TOTAL:13 Satellites (FM 11,12,13,14)	Dec 11, 2009	Dec 11, 2009	Dec 11, 2009
TOTAL: 17 Satellites (FM 15,16,17,18)	Jan 8, 2010	Jan 8, 2010	Jan 8, 2010
TOTAL: 21 Satellites (FM 19,20,21,22)	Feb 5, 2010	Feb 5, 2010	Feb 5, 2010
TOTAL: 24 Satellites (FM 23,24,25)	Feb 26, 2010	N/A	N/A
TOTAL: 29 Satellites (FM 26,27,28,29,30)	Mar 26, 2012	N/A	N/A
TOTAL: 33 Satellites (FM 31,32,33,34)	Jul 24, 2012	N/A	N/A
TOTAL: 37 Satellites (FM 35,36,37,38)	Nov 21, 2012	N/A	N/A
TOTAL: 41 Satellites (FM 39, 40, 41, 42)	Mar 21, 2013	N/A	N/A
TOTAL: 45 Satellites (FM 43,44,45,46)	Jul 19, 2013	N/A	N/A
TOTAL: 48 Satellites (FM 47,48, PFM1)	Sep 17, 2013	N/A	N/A
TOTAL: 25 Satellites (FM 23,24,25,26)	N/A	Feb 26, 2010	Mar 5, 2010
TOTAL: 29 Satellites (FM 27,28,29,30)	N/A	Jun 26, 2010	Apr 2, 2010
TOTAL: 33 Satellites (FM 31,32,33,34)	N/A	Oct 24, 2010	Apr 30, 2010
TOTAL: 37 Satellites (FM 35,36,37,38)	N/A	Feb 21, 2011	May 28, 2010
TOTAL: 41 Satellites (FM 39,40,41,42)	N/A	Jun 21, 2011	Jun 25, 2010
TOTAL: 45 Satellites (FM 43, 44,45,46)	N/A	Oct 18, 2011	Jul 23, 2010
TOTAL: 48 Satellites (FM 47,48, PFM1)	N/A	Dec 18, 2011	Aug 6, 2010

The Parties agree that they will negotiate in good faith to create a Table, to substitute for the above Table, reflecting the actual number of Spacecraft per Batch (the first Batch to include appropriate spare Spacecraft(s)) in alignment with Purchaser's selected Launch Services Agreement commitments for the numbers of Spacecraft per launch.

(C) In the event Contractor has not successfully completed PSR for the last Spacecraft of each Batch as set forth in the Table in Article 18(B) on or before the sixtieth (60th) Day (90th Day for the first Batch) after each respective date set forth in such Table, then for each Day thereafter that the PSR of such Spacecraft has not been successfully completed beyond such sixty (60) Days period (90 Days for the first Batch) until completion of the PSR for the last Spacecraft of each Batch, Contractor agrees to pay Purchaser, as liquidated damages, the following amount :

Maximum liquidated damages per Spacecraft	Regular Delivery	Accelerated Scenario
Phase 2 – First Batch Maximum liquidated damages per Spacecraft per Day	[*]	[*]
Phase 2 – First Batch Maximum aggregate liquidated damages per Spacecraft	[*]	[*]
Phase 2 – other Batches Maximum liquidated damages per Spacecraft per Day	[*]	[*]
Phase 2 – other Batches Maximum aggregate liquidated damages per Spacecraft	[*]	[*]
Phase 3 – all Batches Maximum liquidated damages per Spacecraft and per Day	[*]	[*]
Phase 3 – all Batches Maximum aggregate liquidated damages per Spacecraft	[*]	[*]
TOTAL	[*]	[*]

For the sake of clarification, the liquidated damages to be paid for a Batch shall be calculated by multiplying the appropriate amount set forth in the Table above for liquidated damages per Spacecraft per Day, times the number of Satellites in the Batch, times the number of Days' delay after the grace period as set forth above.

In the event of occurrence of an unforeseen technical event which is demonstrated by Contractor to be the cause of delays on subsequent Spacecraft deliveries, Contractor and Purchaser shall endeavour, in good faith, to define the best solution allowing to minimize the impacts of Spacecraft delivery for Purchaser and the cumulative amount of liquidated damages for Contractor.

The maximum payment to Purchaser for liquidated damages under this Article 18 for each Satellite shall be limited as defined in the Table above. The maximum overall aggregate payment to Purchaser for liquidated damages under this Article 18 shall be limited as defined in the Table above.

(D) Payment of liquidated damages due to Purchaser shall be made within thirty (30) Days after receipt of an emailed invoice by Contractor from Purchaser.

(E) Delays in delivery shall be excused and the delivery date(s) shall be extended, as appropriate, to reflect the following conditions :

(i) if delay in PSR is due to any cause referred to in Article 17 ; or

(ii) in the event the TRB of the PFM is not successfully completed, then as a result thereof Contractor shall not be liable for liquidated damages for each Spacecraft for which PSR has been successfully completed prior to the time of such TRB completion ; or

(iii) the execution of a Stop Work pursuant to Article 22 which results in an extension of the Delivery Schedule ; or

(iv) if the delay is due to a cause or causes attributable to the Purchaser ; or

(v) if Purchaser elects to store a Spacecraft as set forth in Article 29 which election was not based on Contractor's delay ; or

(vi) if a concurrent delay exists which prevents Purchaser from commencing launch of the Satellites that are independent of Contractor's obligation pursuant to this Contract (i.e the launch is delayed for reasons not attributable to the Satellites).

(F) The liquidated damages set forth herein reflect the mutual agreement of the Parties as fair and reasonable compensation for a delay in Delivery.

Article 19. Request For Deviation (RFD)/Request For Waivers (RFW) and Changes

(A) Should Contractor desire to deviate from the requirements of a specific item of the Work, it shall submit to Purchaser an RFD/RFW, as set forth in section 2.9.2 of Exhibit A.

Contractor shall submit RFD/RFWs to the Purchaser promptly as and when they occur. Before Purchaser shall grant a deviation or waiver, it may negotiate in good faith with Contractor a mutually acceptable consideration therefor.

(B) Purchaser may from time to time between the EDC and completion of this Contract, by written change order issued by Purchaser, make changes within the general scope of this Contract regarding the Spacecraft or DSSs, the services or in any drawings, designs, specifications, methods of shipment or packing, quantities of items, places of delivery, additional Work, or the omission of Work. Procedures for implementing such changes may be similar to RFD/RFWs submitted by Contractor pursuant to Article 19(A), with the Parties negotiating the terms of the change order, including the price therefor, before the change order becomes effective, or Purchaser may issue the change order without such negotiation, as set forth in Article 19(C).

(C) If any change order causes an increase or decrease in the costs of, or the time required for, Contractor's obligations under this Contract, and the Parties do not negotiate such terms before the change order becomes effective, in accordance with Article 19(B), an equitable adjustment in the price or Delivery Schedule or both shall thereafter be negotiated by the Parties and this Contract shall be modified in writing accordingly provided that Contractor shall begin the work related to the change if and when Contractor has received from Purchaser a financial commitment acceptable to Contractor to begin such work. Any claim for adjustment under this Article shall be deemed waived unless asserted in writing (with the amount of the claim) within forty-five (45) Days from the date of receipt by Contractor of the change order.

Article 20. Termination for Default

(A) Purchaser may, by written notice to Contractor, issue a written notice of Default (the "Default Notice") to Contractor, if :

(i) there is a material breach by Contractor in the technical compliance during the PFM Payload assembly, integration and test, in accordance with the Contract ; or

(ii) there is a material breach by Contractor in the technical compliance during the PFM Spacecraft assembly, integration and test, in accordance with the Contract ; or

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(iii) as to each PSR date set forth in Article 18(B), Contractor fails to satisfactorily complete the required PSR twelve (12) months after such date for the last Satellite of the first Batch and nine (9) months after such date for the last Satellite of the subsequent Batches.

After Purchaser issues a Default Notice in connection with any of the circumstances in Article 20(A)(i) or (ii), Contractor shall within ninety (90) Days of such notice submit to Purchaser a plan ("Plan") for remedying such Default. If the Plan demonstrates to the mutual agreement of the Parties that the PSR for the last Satellite of the first Batch of Satellites to be launched will be completed within the time specified in Article 18(B) plus twelve (12) months, then such Plan shall be implemented by Contractor and the Delivery Schedule shall be adjusted as the Parties shall mutually agree. Contractor may also suggest a Plan that does not result in the PSR for the last Satellite of the first Batch being completed within the time specified in Article 18(B) plus twelve (12) months, provided that Purchaser shall in its sole discretion either accept or reject such a Plan by written notice sent to Contractor within ten (10) Business Days. In case of rejection, Purchaser may terminate the Contract by written notice of termination as set forth in Article 20(B).

(B) If Purchaser gives Contractor a Default Notice and Contractor fails to respond to within the time period (if any) specified above in Article 20(A), Purchaser may terminate this Contract upon notice (the "Termination Notice") to Contractor and without further period for cure.

In the event of a termination pursuant to this Article 20(B), then, on demand from Purchaser, Contractor will refund all payments made by Purchaser less any amounts due under Article 18. Except as provided in Article 9(C), no refund shall be made with respect to Spacecraft already launched at the time of termination and for Spacecraft or DSSs for which Final Acceptance has occurred at the time of termination. Contractor shall make this refund within thirty (30) Days of receipt of Purchaser's written notice of termination of this Contract. In the event that Purchaser demands the refund as described above, then such refund shall be Purchaser's sole and exclusive remedy for such termination.

Contractor shall keep title and ownership to all terminated WIP. Purchaser shall take all reasonable necessary action for the protection and preservation of the Work in possession of Purchaser in which Contractor has an interest under this Contract, and Purchaser shall deliver to Contractor such work in its possession at Contractor's expense.

(C) If, after notice of termination under the provisions of this Article, it is determined that Contractor was not in default under the provisions of this Article or that the delay was excusable under the provisions of Article 17, the rights and obligations of the Parties shall be the same as if notice of termination had been issued pursuant to Article 21.

(D) So there is no misunderstanding, it is agreed that Purchaser shall not be entitled to terminate the Contract for default with respect to any Deliverable Item after delivery of such Deliverable Item. In addition, termination of the Contract shall not affect Contractor's obligations as set forth in the Contract with respect to Spacecraft and other Deliverable Items already delivered.

Article 21. Termination for Convenience

(A) Purchaser, by written notice to Contractor to be effective six (6) months following the date of such notice, may terminate this Contract in whole or in part for its convenience in accordance with the terms of this Article 21. 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 case of termination for convenience, Contractor shall be entitled to be paid the lesser of (i) all actual costs, direct and indirect, incurred by Contractor (Value Added Tax payable by Contractor on such costs as a result of such termination shall be documented to Purchaser, added to such costs and paid by Purchaser) for all Work performed plus actual termination costs incurred by Contractor and its Subcontractors and to receive, in addition, an amount representing [*] profit, before taxes, on such costs less amounts previously paid by Purchaser to Contractor pursuant to this Contract or (ii) the maximum aggregate payments to be made as set forth in Exhibit F for the two (2) quarters following the date of notice as set forth in Article 21(A). The costs will include the impact (either gain or loss) of cancellation of hedging in place at the time of termination with respect to the portion of the Total Price referred to in Article 7(C) for which corresponding payments have not been received from Purchaser. A claim for such costs shall be submitted by Contractor to Purchaser within sixty (60) Days from the date of notice of termination. The Parties shall agree upon the final termination charges to be paid to Contractor within thirty (30) Days after the date of submission by Contractor of its claim.

(C) Purchaser shall pay Contractor the termination charges within thirty (30) Days following the date of receipt of an invoice from Contractor. Final payment shall be the amount of the total termination charges less amounts previously paid by Purchaser to Contractor pursuant to this Contract. In the event the amount of these credits exceeds the amount of the total termination charges, Contractor will refund the excess to Purchaser within thirty (30) Days following the date of receipt of an invoice from Purchaser.

Subject to the prior approval of Purchaser and subject to restrictions that may be imposed under applicable Governmental authorizations, title to all WIP shall transfer to Purchaser after payment. The license granted to Purchaser under Article 12 shall continue for the period of use of any Deliverable Items not terminated.

If requested by Purchaser and to the extent reasonably practicable, Contractor shall use commercially reasonable efforts to re-sell or re-use on other programs all WIP (or parts thereof) for the benefit of Purchaser. In such case, the fair market value of such WIP that Contractor re-uses or re-sells, as negotiated in good faith by the Parties, less the reasonable and demonstrable costs of storage and the reasonable costs incurred by Contractor for reusing and/or reselling such items, shall be deducted from the termination charges or added to the termination credit.

(D) Notwithstanding the provisions of this Article 21, Purchaser shall not be entitled to terminate the Contract for convenience with respect to a Spacecraft after its Intentional Ignition.

Article 22. Stop Work

(A) Stop Work by Purchaser

(i) Purchaser may, at any time, by 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 WIP and materials, supplies, and equipment Contractor has on hand for performance of the Work.

(ii) Purchaser 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 costs as defined in Article 22(A)(iii) below; or (b) terminate the Contract pursuant to Article 21, in which case the costs incurred by Contractor and its Subcontractors as a result of the stop Work as defined in Article 22(A)(iii) shall be added to the termination charges to be paid pursuant to Article 21.

(iii) Contractor shall be compensated for any additional, direct, out-of-pocket costs reasonably incurred by Contractor or the Subcontractors as a result of such suspension and resumption of Work. Contractor shall invoice Purchaser for such costs, and Purchaser 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.

(B) Stop Work by Contractor

(i) In the event Purchaser fails to make any payment in due time as required pursuant to this Contract, Contractor shall notify Purchaser in writing of such failure. If such failure is not cured by Purchaser within ten (10) Days after the date of such notification made by Contractor, Contractor shall be entitled to draw immediately the unpaid amount from the Escrow Account.

In such case, Purchaser shall replenish, or cause NEWCO to replenish, the Escrow Account so that the amount of such Escrow Account shall equal the aggregate amount of payments due for the two (2) following quarters as identified in Exhibit F. In the event that NEWCO is a party to the Escrow Agreement and to the extent NEWCO does not have sufficient funds to replenish, Purchaser shall lend such funds to NEWCO. In the event Purchaser or NEWCO fails to replenish the Escrow Account within thirty (30) Days from the date of notification of the failure made by Contractor as defined above, Contractor shall be entitled to immediately stop the Work under this Contract.

If Purchaser or NEWCO fails to replenish the Escrow Account within thirty (30) Days from the date Contractor has stopped the Work as defined above, Contractor shall be entitled to immediately terminate the Contract by written notice sent to Purchaser and the provisions of Article 22(B)(iv) shall apply.

If Purchaser or NEWCO replenishes the Escrow Account on or before thirty (30) Days from the date Contractor has stopped the Work as defined above, Contractor shall resume any Work suspended as reasonably and promptly as possible provided that (a) Purchaser has paid to Contractor all costs and expenses incurred as a result of the stop Work hereunder and (b) the schedule of the Contract shall be adjusted (provided such schedule adjustment shall not be less than one Day for each Day of Work stoppage).

(ii) In the event Purchaser or NEWCO fails at any time during the performance of the Contract to maintain the Escrow Account so that the amount of such Escrow Account shall equal the aggregate amount of payments due for the two (2) following quarters as identified in Exhibit F with a validity of six (6) months, Contractor shall notify Purchaser and NEWCO (as appropriate) in writing of such failure. If such failure is not cured by Purchaser or NEWCO within thirty (30) Days after the date of such notification made by Contractor, Contractor shall be entitled to immediately stop the Work under this Contract. In the event that NEWCO is a party to the Escrow Agreement and to the extent NEWCO does not have sufficient funds to maintain the required amount in the Escrow Account, Purchaser shall lend such funds to NEWCO.

If Purchaser or NEWCO fails to replenish the Escrow Account within thirty (30) Days from the date Contractor has stopped the Work as defined above, Contractor shall be entitled to immediately terminate the Contract by written notice sent to Purchaser and NEWCO (as appropriate) and the provisions of Article 22(B)(iv) shall apply.

If Purchaser or NEWCO replenishes the Escrow Account on or before thirty (30) Days from the date Contractor has stopped the Work as defined above, Contractor shall resume any Work suspended as reasonably and promptly as possible provided that (a) Purchaser has paid to Contractor all costs and expenses incurred as a result of the stop Work hereunder and (b) the schedule of the Contract shall be adjusted (provided such schedule adjustment shall not be less than one Day for each Day of Work stoppage).

(iii) In the event Purchaser fails to perform any material obligations (other than those expressed in Article 22(B)(i) and Article 22(B)(ii)), Contractor shall notify Purchaser in writing of such failure. If such failure is not cured by Purchaser within thirty (30) Days after the date of such notification made by Contractor, Contractor shall be entitled to immediately stop the Work under this Contract.

If Purchaser fails to cure the material breach within thirty (30) Days from the date Contractor has stopped the Work as defined above, Contractor shall be entitled to immediately terminate the Contract by written notice sent to Purchaser and the provisions of Article 22(B)(iv) shall apply.

If Purchaser cures the material breach on or before thirty (30) Days from the date Contractor has stopped the Work as defined above, Contractor shall resume any Work suspended as reasonably and promptly as possible provided that (a) Purchaser has paid to Contractor all costs and expenses incurred as a result of the stop Work hereunder and (b) the schedule of the Contract shall be adjusted (provided such schedule adjustment shall not be less than one Day for each Day of Work stoppage).

(iv) In the event of termination of the Contract by Contractor pursuant to this Article 22(B), Purchaser shall be liable to Contractor for the charges payable pursuant to Article 21(B) which shall include all costs and expenses incurred as a result of the stop Work hereunder, but in no event to exceed the maximum aggregate payments to be made as set forth in Exhibit F for two (2) quarters following the date of termination notice. Contractor shall be entitled to draw immediately such amounts under the Escrow Account within thirty (30) Days after the date of termination. In case the amounts drawn under the Escrow Account do not cover the full amount due and payable to Contractor, Purchaser shall pay the balance to Contractor.

(v) In the event of a bankruptcy filing by or against Purchaser, and the occurrence of a post-bankruptcy default by Purchaser including, but not limited to, a default under Article 34(F), Purchaser consents to a modification of the stays of proceedings to permit the Contractor to exercise such rights and remedies as may be available to it under the Contract or applicable law, including, but not limited to, the right to suspend performance, terminate the Contract and exercise rights under other agreements with the Purchaser.

Further, Purchaser consents that any preliminary hearing on a request under U.S. Bankruptcy Code section 362(d) (or under any successor statute or rule) by Contractor for a modification of the stays of proceedings (a "Modification of the Stays Motion") shall be combined with a final hearing so that such hearing may be concluded not less than thirty (30) days after the filing of the Contractors' Modification of the Stays Motion.

Purchaser acknowledges that the provisions of this Article 22(b)(v) are critical elements of the transaction to Contractor. The Parties have consulted legal counsel experienced in such issues, and agree that a provision of this type is beneficial in these circumstances.

Article 23. Arbitration

(A) Any dispute or disagreement arising between the Parties in connection with any interpretation of any provision of the Contract, or the compliance or non-compliance therewith, or the validity or enforceability thereof, or any other dispute under any Article hereof which is not settled to the mutual satisfaction of the Parties within thirty (30) Days (or such longer period as may be mutually agreed) from the date that either Party informs the other in writing that such dispute or disagreement exists, shall be settled by arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and the Supplementary Procedures for Large, Complex Disputes in effect on the date that such notice is given, except as otherwise specified herein.

(B) The Party which demands arbitration of the controversy shall in writing specify the matter to be submitted to arbitration, and at the same time, choose and nominate an arbitrator; thereupon, within fifteen (15) Days after receipt of such written notice, the other Party shall in writing choose and nominate a second arbitrator.

The two arbitrators so chosen shall forthwith select a third arbitrator, giving written notice to both Parties of the choice so made and fixing a time and place in New York City, at which both Parties may appear and be heard with respect to such controversy. In case the two arbitrators shall fail to agree upon a third arbitrator within a period of seven (7) Days, or if for any other reason there shall be a lapse in the naming of an arbitrator or arbitrators, or in the filling of a vacancy, or in the failure or refusal of any arbitrator or arbitrators to attend or fulfill his or their duties, then upon application by either Party to the controversy, arbitrators shall be named by the American Arbitration Association in accordance with its Arbitration Rules.

The arbitrators shall control discovery as they shall determine is appropriate in the circumstances, taking into account the needs of the Parties and the desirability of having the discovery take place in an expeditious and cost-effective manner. Any discovery shall be limited to information directly relevant to the controversy or claim in arbitration and shall be concluded within ninety (90) Days after the arbitrators are appointed, unless good cause for an extension of such deadline is shown.

(C) The arbitrators shall not alter or modify the terms and conditions of this Contract but shall consider the pertinent facts and circumstances and be guided by the terms and

conditions of this Contract. If a solution is not found in the terms and conditions of this Contract, the arbitrators shall be guided by the substantive laws of the State of New York, excluding all conflict of law rules. The arbitration award made shall be final and binding upon the Parties, their successors and assignees, and judgment may be entered thereon, upon the application of either Party, by any court having jurisdiction. Each Party shall bear the cost of preparing and presenting its case including its own attorneys' fees; and the cost of arbitration, including the fees and expenses of the arbitrator or arbitrators, will be shared equally by the Parties.

(D) The relief that may be awarded by the arbitrators under any arbitration arising from this Contract may not exceed actual compensatory damages. In no event may the arbitrators award punitive damages or otherwise disregard the limitations of liability set forth in this Contract.

Article 24. Warranty

(A) Contractor warrants that each Spacecraft shall be free from material defects in materials and workmanship and will conform to the requirements in Exhibit B. This warranty shall start upon the date of the Pre-Shipment Review and shall run for a period of one (1) year, or until Intentional Ignition, whichever is earlier.

In case of storage pursuant to Article 29(A), the warranty will be extended for a period of two (2) years or up to the Intentional Ignition of the stored Spacecraft, whichever occurs earlier. After Intentional Ignition, the obligations of Contractor in case of defects identified on a Spacecraft shall be limited to the performance of the Anomaly Support.

(B) Contractor warrants that the Satellite OBPE Software shall be free from material defects in materials and workmanship and will conform to the requirements in Exhibit B. This warranty shall start upon the date of Intentional Ignition of the first successful launch and shall run for a period of one (1) year. The scope of this warranty is as set forth in Exhibit A.

(C) Subject to the provisions of Article 16, Contractor warrants that the DSS shall be free from material defects in materials and workmanship and will conform to the requirements in Exhibit E. This warranty shall start upon the date of Final Acceptance thereof and shall run for a period of two (2) years.

(D) Without waiver of its right to terminate this Contract for default, Purchaser shall have the right, at any time during the period of this warranty and irrespective of prior inspections or acceptance, to require that any Deliverable Item not conforming to the material requirements of the Contract by written notice sent to Contractor (detailing to which extent the Contract requirements are not met) be corrected or replaced, at Contractor's expense and option.

(E) The remedy under this Article 24 shall not apply, as far as the DSS and the Satellite OBPE Software are concerned, if repair or parts replacement is required because of

accident, unusual physical or electrical stress, negligence, misuse, failure of environmental control prescribed in operations and maintenance manuals, repair or alterations by Purchaser, its officers, directors, employees, consultants, representatives or agents, or causes other than ordinary use. Furthermore, the warranty is contingent upon Contractor being given access to delivered Deliverable Items in order to effect any correction or replacement.

(F) In addition to the rights, duties and obligations of Contractor under other provisions of this Contract, Contractor shall regularly and diligently review and assess the generic design of each Spacecraft and related equipment, and the performance data available from any Spacecraft which has been launched or is to be launched and the performance of any equipment (other than Spacecraft) supplied, operated or installed or to be so supplied, operated or installed by Contractor up to the time of launch for a Spacecraft. If such review and assessment shows that a material defect exists which affects adversely or is reasonably likely to affect adversely the operation or performance of a Spacecraft or other equipment, Contractor shall notify Purchaser of any changes required thereto and, upon the written agreement of Purchaser, take prompt and appropriate measures at Contractor's sole cost to correct a Spacecraft and other equipment before launch, so as to eliminate the defect therefrom.

Purchaser shall provide to Contractor for the purpose of the investigation all available data and information related to the operation of the Spacecraft in orbit. In the event that corrective measures taken pursuant to this Article 24 cause a delay, such delay shall be treated like an excusable delay and there shall be an equitable adjustment to the schedule and other terms for performance for the affected Work.

(G) Purchaser authorizes Contractor to disclose material deficiencies about Spacecraft to third parties (customers, consultants and insurers) if problems are discovered either during production or on orbit and if such problems are likely to affect other spacecrafts. This disclosure is subject to US export control restrictions and execution of a confidentiality agreement and shall not identify Globalstar System, unless Purchaser otherwise agrees.

(H) EXCEPT AS IS OTHERWISE EXPRESSLY PROVIDED IN THIS CONTRACT, NO OTHER WARRANTIES, WHETHER STATUTORY, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO THOSE OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, SHALL APPLY TO THE GOODS AND SERVICES HEREUNDER AND THE REMEDIES PROVIDED HEREIN ARE THE SOLE REMEDIES FOR FAILURE BY CONTRACTOR TO FURNISH WORK THAT IS FREE FROM DEFECTS IN MATERIAL OR WORKMANSHIP AND CONFORMANCE WITH REQUIREMENTS AS SET FORTH IN THIS ARTICLE 24.

IN NO EVENT SHALL CONTRACTOR BE LIABLE FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, PUNITIVE OR SPECIAL DAMAGES. ALL OTHER WARRANTIES OR CONDITIONS IMPLIED BY ANY OTHER STATUTORY ENACTMENT OR RULE OF LAW WHATSOEVER ARE

EXPRESSLY EXCLUDED AND DISCLAIMED.

Article 25. Communication and Authority

(A) [*] is assigned as Purchaser's Program Manager with authority to issue technical direction within the scope of this Contract. [*] is assigned as Contractor's Program Manager with authority to accept such direction. Notwithstanding Article 25(A), the foregoing Program Managers are authorized (i) to initial the Exhibits and any modifications thereto (except Exhibit F), and (ii) to execute the waivers of technical compliance with the specifications in the Exhibits.

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

[*]
Globalstar, Inc.
461 South Milpitas Blvd.
Milpitas, California 95035, U.S.A.
Tel : [*]
Email: [*]

All technical correspondence to Purchaser will be addressed to:

[*]
Globalstar, Inc.
461 South Milpitas Blvd.
Milpitas, California 95035, U.S.A.
Tel : [*]
Email: [*]

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

[*]
Alcatel Alenia Space France
100, Boulevard du midi - B.P 99
06156 Cannes la Bocca Cedex – France
Email: [*]

All technical correspondence to Contractor will be addressed to:

[*]
Alcatel Alenia Space France
100 Boulevard du midi - B.P 99
06156 Cannes la Bocca Cedex – France
Email: [*]

(C) In a time critical situation, such as in the case of failures or suspected failures of transponders or other 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 25(D).

(D) Except as provided in Article 25(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 26. RESERVED

Article 27. Licenses for Export and Launch

(A) This Contract is subject to all applicable United States laws and regulations relating to the export of Licensed Items and to all applicable laws and regulations of the country or countries to which such Licensed Items are exported or are sought to be exported. Contractor and Purchaser shall fully comply with all requirements of any Technical Assistance Agreement related to the substance of this Contract, whether included as an Appendix hereto or not.

(B) Without limiting the scope of Article 27(A), Contractor shall use its reasonable best efforts to obtain all approvals and licenses required by the laws and regulations of the country or countries to which the Licensed Items are exported or are sought to be exported. Purchaser shall use its reasonable best efforts to obtain all US government approvals and licenses to export Licensed Items.

(C) If a government refuses to grant a required approval or license to export the Licensed Items, or to launch a Spacecraft, or revokes or suspends an approval or license subsequent to its grant, or grants a license or approval subject to conditions, then (i) this Contract shall, nevertheless, remain in full force and effect unless terminated for convenience pursuant to Article 21, and (ii) the Delivery Schedule shall be adjusted on a day-for-day basis for each day that Contractor is impacted by such action or inaction of the United States government. Such government action or inaction shall not modify in any way the rights and obligations of the Parties under this Contract except to relieve Contractor of any obligations which cannot be performed without such an approval or license.

(D) The Parties confirm that their performance of, and obligations under, this Contract is in all matters subject to the provisions of this Article 27, notwithstanding that (i) other Articles (including without limitation those paragraphs in Articles 8 and 9) and Exhibits may not specifically reference Article 27, and (ii) other Articles and Exhibits may state that they are subject to compliance with other Articles of this Contract.

(E) Contractor and Purchaser shall cooperate in amending as necessary the existing Technical Assistance Agreement set forth in Appendix 2 and in the establishment of Appendix 3, which will allow Purchaser to be directly involved in matters related to some or all Licensed Items.

Article 28. Spacecraft Storage

(A) In the event of a delay or failure to launch which is attributable to Contractor, Contractor, at its expense, shall provide for all transportation, storage (if needed), testing and refurbishment and any Work and expense of maintenance to prevent deterioration of a Spacecraft required before and until such time as a rescheduled launch can reasonably be effected.

(B) If Purchaser has not secured a firm launch commitment for Spacecraft having completed PSR, then Purchaser shall direct Contractor to store such Spacecraft and the provisions of Article 29(A) and of the Storage Plan shall apply.

(C) Title and risk of loss for a Spacecraft to be stored in accordance with this Article 28 shall remain with, and the associated cost of insurance shall be borne by Contractor.

Article 29. Options

(A) Option for extended storage

(i) If, for any reason other than the fault of Contractor, Purchaser so requests of Contractor, after successful completion of Pre-Shipment Review, Contractor shall place a Spacecraft in storage, in accordance with a Storage Plan, for a maximum period of twelve (12) years. Unless otherwise set forth in the Storage Plan, title and risk of loss for a Spacecraft in storage in accordance with this Article 29(A)(i) shall pass to Purchaser in accordance with Article 9. In addition, Purchaser shall be responsible for all transportation costs in transit, (a) from Contractor’s facility to storage, (b) if necessary, from the storage site to a refurbishment site, and (c) if applicable, from the Launch Site to the storage site and return. Assuming a storage location within a 150-mile radius of Contractor’s facility, Contractor shall be responsible for all transportation costs from the storage site, or the refurbishment site if applicable, to the Launch Site and for the risk of loss and the expense of any insurance to cover such risk while in transit.

(ii) If storage of a Spacecraft is effected pursuant to Article 29(A), upon the request of Purchaser, Contractor shall provide periodic testing, necessary equipment, and environmental maintenance suitable for prevention of deterioration to the Spacecraft during the period of storage. Unless such environmental services are provided by Contractor, any deterioration to a Spacecraft while in storage shall be at Purchaser’s risk and shall be corrected at Purchaser’s expense. If such services are provided by Contractor, correction of such deterioration shall be at Contractor’s expense.

(iii) The price for storage activities will be negotiated in good faith between the Parties upon request from Purchaser.

(iv) If, at any time after storage effected pursuant to Article 29(A) begins, Purchaser elects to launch a stored Spacecraft, Contractor shall inspect, test and refurbish as necessary such Spacecraft to a launch-ready condition and arrange for transit to the Launch Site as directed by Purchaser. The price for such activities will be negotiated in good faith between the Parties.

(v) If the Spacecraft is placed in storage pursuant to Article 29(A), then the provisions of Article 18 and Article 20 shall no longer apply with respect to such Spacecraft.

(B) Additional Spacecraft

Purchaser shall have the option to order from Contractor up to eighteen (18) additional recurring Spacecraft under the following conditions :

(i) Each order shall be for a minimum of six (6) additional Spacecraft.

(ii) If the order is exercised on or before July 1, 2008, then the firm fixed price for each additional Spacecraft shall be [*] Euros.

(iii) If the order is exercised on or after July 2, 2008 for delivery of Satellites before December 31, 2013, then the firm fixed price for each additional Spacecraft shall be [*] Euros.

(iv) If the order is exercised after July 2, 2008 for delivery after December 31, 2013, then the firm fixed price for each additional Spacecraft shall be [*] Euros plus a [*] annual increase for each year after 2013.

(v) The Delivery schedule for each additional Spacecraft ordered on or before April 1, 2013 (under the Regular Delivery) shall be :

· the first Spacecraft ordered will be delivered twenty two (22) months after the date of receipt of the order by Contractor ; and

· the subsequent Spacecraft will be delivered at a rate of one (1) per month after the first one of that Batch (the minimum size of the order being of 6 to 8 satellites per Batch).

The Delivery schedule for each additional Spacecraft ordered after April 1, 2013 (under the Regular Delivery) shall be :

· the first Spacecraft ordered will be delivered thirty (30) months after the date of receipt of the order by Contractor ; and

· the subsequent Spacecraft will be delivered at a rate of one (1) per month after the first one of that Batch (the minimum size of the order being of 6 to 8 satellites per Batch).

In any case, in case of obsolescence of components, Contractor reserves the right to renegotiate in good faith with Purchaser the price and schedule for these additional satellites.

(C) Satellite OBPE Software enhancement

Purchaser shall have the option to order from Contractor OBPE Software enhancement activities to be defined on a case-by-case basis. The scope and price for such activities will be negotiated in good faith between the Parties on time and material basis.

(D) Extended Anomaly Support

Purchaser shall have the option to order from Contractor extended Anomaly Support activities to be defined on a case-by-case basis. The scope and price for such activities will be negotiated in good faith between the Parties on time and material basis.

(E) Mass simulators

Purchaser shall have the option to order from Contractor eight (8) mass simulators as set forth in Exhibit A. The scope and price for such simulators will be negotiated in good faith between the Parties. Alternatively, Purchaser may elect to order such eight (8) mass simulators from third parties and Contractor shall cooperate in allowing Purchaser to release to such third parties engineering information as needed.

Article 30. Key Personnel

(A) At EDC, Contractor shall identify the Key Personnel for the following positions to perform the services and staff the Work, working dedicated until successful completion of the Work performed hereunder (individually a “Key Person” and collectively the “Key Personnel”). No person can serve the role of more than one Key Person.

Position	Name
Program Manager	[*]

(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. Purchaser shall have the right to review the qualifications of any proposed replacements. If Purchaser deems, in its reasonable judgment, the proposed replacements to be unsuitable, Purchaser may require Contractor to offer alternative candidates. Notwithstanding its role in reviewing Key Personnel and their replacements, Purchaser 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 31. Indemnification and Insurance

(A) Contractor shall indemnify and hold harmless Purchaser, and its subsidiaries and affiliates, and its subcontractors (if any), their respective officers, employees, agents, servants and assignees, or any of them (collectively “Purchaser 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, the Subcontractors and the Purchaser 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.

At Contractor’s expense, Contractor shall defend any suits or other proceedings brought against the Purchaser 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.

Contractor shall have the right to settle any claim or litigation against which it indemnifies hereunder. Further, the Purchaser Indemnitees shall provide to Contractor such reasonable cooperation and assistance as Contractor may request to perform its obligations hereunder.

(B) Purchaser 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 Purchaser and Contractor Indemnitees) and arising from any occurrence caused by any negligent act or omission or willful misconduct of Purchaser, its officers, employees, agents, consultants, servants and assignees.

In addition, Purchaser 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 DSSs, the Satellite OBPE Software and any Spacecraft after Intentional Ignition, including as a result of modification or improvements made by Purchaser.

Purchaser shall, at Purchaser'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. Purchaser shall have the right to settle any claim or litigation against which it indemnifies hereunder. Further, the Contractor Indemnitees shall provide to Purchaser such reasonable cooperation and assistance as Purchaser may request to perform its obligations hereunder.

(C) Contractor shall, at its own expense, provide and maintain insurance which shall cover all WIP (including all Purchaser'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 or storage purposes, and while in transit, or while at the Launch Site until Intentional Ignition for a Satellite or upon placing a Satellite into storage.

The amount of insurance shall be sufficient to cover the full replacement value of all Work. Upon request by Purchaser, Contractor will provide certificate of insurance to Purchaser. Additionally, Contractor will add Purchaser as an additional insured under the All Risks insurance as far as Purchaser's interests may appear.

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 Purchaser, Contractor will provide a certificate of insurance to Purchaser. Contractor shall use its reasonable best efforts to add Purchaser as additional insured under such CGL Policy.

(D) Contractor shall provide to Purchaser, prior to Intentional Ignition, a written statement containing the following :

· the Satellites to be launched have passed qualification and acceptance tests, including the FRR, under the Contract, subject to written waivers that have been issued and approved by Purchaser ; and

· any and all known defects or anomalies observed on (i) already launched or on ground similar satellites manufactured by Contractor, or (ii) on the Satellites to be launched during their development, which came to Contractor's knowledge prior to the Flight Readiness Review, have been recorded and investigated and that all required remedy measures have been implemented in accordance with the applicable quality procedures as far as applicable and in so far as they would adversely affect the performance of the Satellites to be launched, such information provided to Purchaser.

Article 32. Effective Date of Contract

(A) The effective date of this contract (the "EDC") shall be October 1, 2006 provided that all the following conditions are fulfilled :

(i) signature of the Contract by both Parties ; and

(ii) the first payment referred to in Exhibit F has been credited to the Contractor's bank account ; and

(iii) entry into force of the Escrow Agreement between Contractor, Purchaser (and/or NEWCO) and the Escrow Agent and deposit in the Escrow Account of the amount referred to in Article 7(I).

(B) If by December 22, 2006, the conditions under Article 32(A) are not fulfilled, Contractor or Purchaser shall have the following options :

(i) to notify the other Party that this Contract shall not become effective. In such a case, the notified Party shall not be entitled to claim any damages whatsoever from the notifying Party; or

(ii) be entitled to enter into negotiation with the other Party if agreed by such Party to adjust the Total Price and the schedule of Work. The Contract shall be amended to reflect these adjustments.

Article 33. Representations

(A) Contractor represents, covenants and warrants that :

(i) Contractor's execution of and performance under this Contract will not result in a breach of, or constitute a default under, any contract, instrument or other agreement to which Contractor is a party or is bound ; and

(ii) Contractor has full power, authority and legal right to execute, deliver and perform this Contract, that the execution, delivery and performance by Contractor of this Contract have been duly authorized by all necessary action on the part of Contractor and do not require any further approval or consent of any person or entity (whether governmental or otherwise), and that once executed by Contractor this Contract shall constitute a legal, valid and binding obligation of Contractor enforceable against Contractor in accordance with its terms.

(B) Purchaser represents, covenants and warrants that :

(i) Purchaser has full power, authority and legal right to execute, deliver and perform this Contract, that the execution, delivery and performance by Purchaser of this Contract have been duly authorized by all necessary action on the part of Purchaser and do not require any further approval or consent of any person or entity (whether governmental or otherwise), and that once executed by Purchaser this Contract shall constitute a legal, valid and binding obligation of Purchaser enforceable against Purchaser in accordance with its terms.

(ii) Purchaser's execution of and performance under this Contract does not result in a breach of, or constitute a default under, any contract, instrument or other agreement to which Purchaser is a party or is bound.

Article 34. General Provisions

(A) 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 Purchaser, Purchaser shall demonstrate to Contractor's satisfaction that its successor or assignee possesses the financial resources to fulfill Purchaser's obligations under this Contract. Upon such assignment, the assignee shall assume all rights and obligations of the assignor existing under this Contract at the time of such assignment. This Article 34(A) shall not preclude the granting of a security interest by a Party to a lender.

(B) Nothing contained in this Contract shall be deemed or construed by the Parties or by any third party to create any rights, obligations or interests in third parties, or to create the relationship of principal and agent, partnership or joint venture or any other fiduciary relationship or association between the Parties and the rights and obligations of the Parties shall be limited to those expressly set forth herein.

(C) No failure on the part of either Party to notify the other Party of any noncompliance hereunder, and no failure on the part of either Party to exercise its rights hereunder, shall prejudice any remedy for any subsequent noncompliance with any term or condition of this Contract and shall be limited to the particular instance and shall not operate or be deemed to waive any future breaches or noncompliance with any term or condition. Except as otherwise expressly provided herein, all remedies and rights hereunder shall be exclusive and in lieu of all other rights and remedies available by law or in equity.

(D) The Parties shall comply with the United States Foreign Corrupt Practices Act, the OECD Antibribery Convention and all other laws of any country dealing with improper or illegal payments, gifts or gratuities. Contractor agrees not to pay, promise to pay or authorize the payment of any money or anything of value, directly or indirectly to any person for the purpose of illegally or improperly inducing a decision or obtaining or retaining business in connection with this Contract.

(E) This Contract (including all Exhibits and Appendices) constitutes the entire agreement between the Parties and supersedes all prior understandings, commitments and representations between the Parties with respect to the subject matter hereof. In particular, this Contract supersedes the ATP entered into by and between the Parties. The Work performed by Contractor pursuant to the ATP and any amounts paid by the Purchaser to Contractor under the ATP are considered as Work performed and costs incurred and paid in the performance of this Contract.

The Escrow Agreement is separate and independent from this Contract. The Parties do not intend for this Contract and the Escrow Agreement to constitute a single agreement.

This Contract may not be amended or modified and none of its provisions may be waived, except by a writing signed by an authorized representative of the Party against which the amendment, modification or waiver is sought to be enforced.

In the event any one or more of the provisions of this Contract shall for any reason be held to be invalid or unenforceable, the remaining provisions of this Contract shall be unimpaired, and the invalid or unenforceable provision shall be replaced by a provision which, being valid and enforceable, comes closest to the intention of the Parties underlying the invalid or unenforceable provisions. The Parties shall negotiate in good faith to attempt to agree upon any such replacement provision.

The paragraph headings herein shall not be considered in interpreting the text of this Contract.

All oral and written communications between the Parties shall be conducted in English.

This Contract shall be governed by and interpreted in accordance with the laws of the State of New York, U.S.A., excluding its conflict of laws rules. The U.N. Convention on Contracts for the International Sales of Goods is not applicable to this Contract.

(F) In view of a number of factors, including the substantial payments to Subcontractors that Contractor will be making in connection with its performance under this Contract, the Parties acknowledge and agree that if Purchaser should become a debtor in a case under the United States Bankruptcy Code, Contractor would be severely and irreparably damaged unless Purchaser continues uninterrupted and timely performance of its obligations under the Contract and promptly assumes or rejects this Contract. In continuing to perform this Contract following a bankruptcy filing by the Purchaser, Contractor would incur millions of Euros of expense (including commitments to Subcontractors) that Contractor could avoid incurring through termination clauses if the Contract ultimately is to be rejected in a bankruptcy proceeding. Accordingly, if Purchaser should become a debtor in a case (the "Bankruptcy Case") under the United States Bankruptcy Code, Purchaser shall, within thirty (30) days after the commencement of the Bankruptcy Case, (i) promptly advise Contractor of such, (ii) file a motion (the "Motion") with the bankruptcy court presiding over the Bankruptcy Case seeking an order approving Purchaser's assumption or rejection of this Contract within such thirty day period, and (iii) obtain a final and non-appealable order (the "Order") approving the assumption or rejection of this Contract. Purchaser agrees that it shall not, without the prior written consent of Contractor, withdraw the Motion or adjourn any hearing on the Motion. Purchaser further agrees that it will promptly take and diligently pursue any and all actions necessary and/or appropriate, including such actions as may be reasonably requested by Contractor, to obtain the Order within the thirty (30) day period set forth above. In the event Purchaser does not file the Motion and obtain the Order within thirty (30) days after the commencement of the Bankruptcy Case, Contractor shall, in addition to any other rights and/or remedies it has or may have, be entitled to stop the Work under this Contract. Following such Work stoppage, if Purchaser still has not filed the Motion and obtained the Order within thirty (30) days after Contractor has stopped the Work then, Contractor shall be entitled to terminate the Contract by written notice sent to Purchaser and the provisions of Article 22(B)(iv) shall apply.

Purchaser acknowledges that the provisions of this Article 34(F) are critical elements of the transaction to Contractor. The Parties have consulted legal counsel experienced in such issues, and agree that a provision of this type is beneficial in these circumstances.

Execution

In witness whereof, the Parties have duly executed this Contract.

Globalstar, Inc.		**Alcatel Alenia Space France**	
By:	/s/ James Monroe III	By:	/s/ Pascale Sourisse
Name:	James Monroe III	Name:	Pascale Sourisse
Title:	Chief Executive Officer	Title:	President and Chief Executive Officer
Date:	November 30, 2006	Date:	November 30, 2006

Exhibit 31.1

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: December 15, 2006

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

Exhibit 31.2

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

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

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: December 15, 2006

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

Exhibit 32.1

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

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

This quarterly report on Form 10-Q for the quarter ended September 30, 2006 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: December 15, 2006

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

Dated: December 15, 2006

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