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 March 31, 2007

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

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

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

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

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 May 9, 2007, there were 76,586,196 shares of $0.0001 par value Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenue:		
Service revenue	$ 17,466	$ 20,694
Subscriber equipment sales	5,688	9,648
Total revenue	23,154	30,342
Operating expenses:		
Cost of services (exclusive of depreciation and amortization shown separately below)	6,383	6,547
Cost of subscriber equipment sales	3,451	8,515
Marketing, general, and administrative	11,482	9,965
Depreciation and amortization	2,424	1,390
Total operating expenses	23,740	26,417
Operating income (loss)	(586)	3,925
Other income (expense):		
Interest income	828	167
Interest expense	(311)	(20)
Interest rate derivative loss	(364)	—
Other	1,234	(337)
Total other income (expense)	1,387	(190)
Income before income taxes	801	3,735
Income tax expense (benefit)	357	(18,751)
Net income	$ 444	$ 22,486
Earnings per common share:		
Basic	$ 0.01	$ 0.36
Diluted	0.01	0.36
Weighted-average shares outstanding:		
Basic	73,651,548	61,947,654
Diluted	73,745,811	62,277,366

See accompanying notes to unaudited interim consolidated financial statements.

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

	March 31, 2007	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,419	$ 43,698
Accounts receivable, net of allowance of $4,040 (2007) and $3,609 (2006)	16,887	19,543
Inventory	43,878	33,754
Advances for inventory	13,604	15,550
Deferred tax assets	1,487	1,495
Prepaid expenses and other current assets	2,459	2,512
Total current assets	97,734	116,552
Property and equipment:		
Spare satellites and launch costs	91,949	87,813
Second-generation satellites	56,130	26,328
Globalstar System, net	13,711	15,576
Other property and equipment, net	7,115	7,005
	168,905	136,722
Other assets:		
Restricted cash	53,879	52,581
Deferred tax assets	18,949	18,763
Other assets, net	7,224	7,083
Total assets	$ 346,691	$ 331,701
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable, current portion	$ 397	$ 285
Accounts payable	5,035	11,468
Accrued expenses	17,578	17,224
Payables to affiliates	3,041	6,019
Deferred revenue	24,110	24,720
Total current liabilities	50,161	59,716
Notes payable, net of current portion	305	417
Employee benefit obligations, net of current portion	1,935	2,079
Other non-current liabilities	4,139	3,843
Total non-current liabilities	6,379	6,339
Redeemable common stock; 259,845 and 347,451 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	3,700	4,949
Shareholders' equity:		
Preferred Stock, $0.0001 par value; 100,000,000 shares authorized, issued and outstanding — none	—	—
Common stock, $0.0001 par value; 800,000,000 shares authorized, 74,161,865 shares issued and outstanding at March 31, 2007 and 72,544,543 shares issued and outstanding at December 31, 2006	7	7
Additional paid-in capital	265,050	238,919
Accumulated other comprehensive loss	(1,356)	(1,166)
Retained earnings	22,750	22,937
Total shareholders' equity	286,451	260,697
Total liabilities and shareholders' equity	$ 346,691	$ 331,701

See accompanying notes to unaudited interim consolidated financial statements.

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

(Unaudited)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Cash flows from operating activities:		
Net income	$ 444	$ 22,486
Adjustments to reconcile net income to net cash from operating activities:		
Deferred income taxes	387	(18,761)
Depreciation and amortization	2,424	1,390
Interest rate derivative loss	364	—
Stock-based compensation expense	245	—
Loss (gain) on disposal of fixed assets	(138)	1
Provision for bad debts	792	290
Interest income on restricted cash	(469)	—
Contribution of services	87	36
Amortization of deferred financing costs	111	—
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	1,980	5,183
Inventory	(10,715)	(7,978)
Advances for inventory	1,958	(7,058)
Prepaid expenses and other current assets	64	656
Other assets	247	(337)
Accounts payable	(8,931)	(2,059)
Payables to affiliates	(2,955)	10,594
Accrued expenses and employee benefit obligations	(2,923)	(1,190)
Deferred revenue	(628)	1,082
Net cash from operating activities	(17,656)	4,335
Cash flows from investing activities:		
Spare and second-generation satellites and launch costs	(29,482)	(1,582)
Property and equipment additions	(786)	(2,697)
Proceeds from sale of property and equipment	263	—
Payment for business acquisition	—	(191)
Net cash from investing activities	(30,005)	(4,470)
Cash flows from financing activities:		
Proceeds from Thermo under the irrevocable standby stock purchase agreement	24,255	—
Proceeds from subscription receivable	—	13,000
Deferred financing cost payments	(500)	(163)
Net cash from financing activities	23,755	12,837
Effect of exchange rate changes on cash	(373)	91
Net increase (decrease) in cash and cash equivalents	(24,279)	12,793
Cash and cash equivalents, beginning of period	43,698	20,270
Cash and cash equivalents, end of period	$ 19,419	$ 33,063
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ 282	$ 1
Income taxes	$ 50	$ 36
Supplemental disclosure of non-cash financing and investing activities:		
Accrued launch costs and second-generation satellites costs	$ 4,422	$ —
Distribution payable to member	$ —	$ 686
Issuance of redeemable common stock in conjunction with acquisition	$ —	$ 5,198
Conversion of redeemable common stock to common stock	$ 1,249	$ —

See accompanying notes to unaudited interim consolidated financial statements.

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.

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

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. These unaudited interim consolidated financial statements include the accounts of Globalstar and its majority owned or otherwise controlled subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, such information includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company's consolidated financial position, results of operations, and cash flows for the periods presented. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the full year or any future period. Globalstar's results of operations are subject to seasonal usage changes. The months of April through October are typically peak months for service revenues and equipment sales. Government customers in North America tend to use Globalstar's services during summer months, often in support of relief activities after events such as hurricanes, forest fires and other natural disasters.

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

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. 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, 2006 was derived from the Company's audited consolidated financial statements for the year ended December 31, 2006, 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 ("SFAS") No. 131, "Disclosures About Segments of an Enterprise and Related Information," or SFAS No. 131, is included in the consolidated financial statements.

Other income (expense) includes foreign exchange transaction gains (losses) of $1.2 million and ($0.3) million for the three months ended March 31, 2007 and 2006, 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 were 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 adopted the provisions of FIN 48 on January 1, 2007. See Note 9 for the impact of the adoption on the Company's financial statements.

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

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS 159 on its financial position, cash flows, 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.

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 March 31, 2007			Three Months Ended March 31, 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	$ 444	73,651,548	$ 0.01	$ 22,486	61,947,654	$ 0.36
Effect of Dilutive Securities						
Stock options to director	—	93,608		—	100,206	
GAT acquisition	—	—		—	229,506	
Unvested restricted stock	—	655		—	—	
Diluted earnings per common share	$ 444	73,745,811	$ 0.01	$ 22,486	62,277,366	$ 0.36

Restricted stock awards and restricted stock units representing approximately 215,000 shares of Common Stock were excluded from the computation of diluted shares outstanding for the three months ended March 31, 2007 as their inclusion would have been anti-dilutive.

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 Globalstar Americas Holding (“GAH”), Globalstar Americas Telecommunications (“GAT”), and Astral Technologies Investment Limited (“Astral”), collectively, the “GA Companies.” The GA Companies owned assets, contract rights, and licenses necessary and sufficient to operate a satellite communications business in Panama, Nicaragua, Honduras, El Salvador, Guatemala, and Belize (collectively, the “Territory”). The Company believes the purchase of the GA Companies will further enhance Globalstar’s presence and coverage in Central America and consolidation efforts. The stipulated purchase price for the GA Companies is $5,250,500 payable substantially 100% in Globalstar Common Stock. Additionally, the Company had a $1.0 million receivable from GA Companies as of the acquisition date that was treated as a component to the total purchase price. At the time of closing of the purchase of the GA Companies, the selling stockholders received 91,986 membership units, which subsequently were converted into the same number of shares of Common Stock of the Company as a result of the Company’s conversion from a limited liability company to a corporation.

Under the terms of the acquisition agreement, the Company was obligated either to redeem the original stock issued to the selling stockholders in January 2006 for $5.2 million in cash or to pay the selling stockholders, in cash or in stock, the difference between $5.2 million and the market value of that stock multiplied by the 5-day average closing price of the Company stock for the period ending November 22, 2006. In accordance with a supplemental agreement dated December 21, 2006 with certain selling stockholders, the Company elected to make payment in Common Stock and issued 259,845 shares of additional Common Stock to certain selling stockholders. Under this supplemental agreement this stock was valued at approximately $3.7 million. However, it was not registered and therefore was not marketable. Accordingly, this supplemental agreement also provided that, in order to compensate the selling stockholders for the inability to sell these shares, every month the Company will pay interest on $3.7 million at the monthly New York prime rate until these shares become marketable, but not later than December 31, 2007. During the three months ended March 31, 2007, the related interest expense incurred was approximately $76,000.

The Company has the right to register, before December 22, 2007, the 259,845 shares of Common Stock delivered in December 2006. If it does so and the Company has met in full its obligation to pay interest on $3.7 million, the interest obligation ceases as of the date this registration statement becomes effective. The Company also has the right to register additional shares of sufficient value on the effective date of the registration statement and to pay the interest obligation in Common Stock. In addition, if the per share market value of the Company’s Common Stock on December 22, 2007 multiplied by 259,845 is less than $3.7 million minus the sum of interest payments made on the $3.7 million on or before December 28, 2007, the Company will be required to pay the shortfall to these selling stockholders. However, if the Company shall have also registered sufficient additional stock to pay the interest obligation and distributes it to the selling stockholders, they are obligated to accept the tender, return to the Company the interest previously paid in cash, and deem to be satisfied all obligations of the Company under the acquisition agreement and the supplemental agreement.

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

In accordance with the supplemental agreement, on January 31, 2007, the remaining 87,606 shares of Common Stock associated with the original 91,986 shares distributed in January 2006, were not considered redeemable. As of March 31, 2007, 259,845 shares of redeemable Common Stock were outstanding.

Note 4: Property and Equipment

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

	March 31, 2007	December 31, 2006
Globalstar System:		
Space segment	$ 5,832	$ 5,832
Ground segment	21,008	21,033
Spare satellites and launch costs	91,949	87,813
Second-generation satellites	56,130	26,328
Construction in progress	143	16
Land	1,966	2,089
Leasehold improvements	1,512	1,477

Buildings	484	484
Furniture and office equipment	10,286	9,631
	189,310	154,703
Accumulated depreciation	(20,405)	(17,981)
	$ 168,905	$ 136,722

Property and equipment consists of an in-orbit satellite constellation, ground equipment, spare satellites and launch costs, second-generation satellites and support equipment located in various countries around the world. On November 30, 2006, the Company entered into a contract with Thales Alenia Space (formerly known as Alcatel Alenia Space France) to construct 48 low-earth orbit satellites. The total contract price will be approximately €661.0 million (approximately $875.6 million at a weighted average conversion rate of €1.00 = $1.3247 at March 31, 2007) including approximately €146.8 million which may be paid by the Company in U.S. dollars at a fixed conversion rate of €1.00 = $1.294. The contract requires Thales Alenia Space to commence delivery of satellites in the third quarter of 2009, with deliveries continuing until 2013 unless Globalstar elects to accelerate delivery. At March 31, 2007, the funds held in escrow to secure the Company's payment obligations related to its contract for the construction of its second-generation satellite constellation were $53.9 million.

As of March 31, 2007 and December 31, 2006, capitalized interest included within spare and second-generation satellites and launch costs was $0.9 million. No interest was capitalized during the three months ended March 31, 2007. Depreciation expense for the three months ended March 31, 2007 and 2006 was $2.4 million and $1.3 million, respectively.

On March 27, 2007, the Company and Thales Alenia Space entered into an agreement dated March 22, 2007 for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for the Company's second-generation satellite constellation. This agreement complements the second-generation satellite construction contract between Globalstar and Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.0 million (approximately $12.0 million at a conversion rate of €1.00 = $1.3335) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. Globalstar has the option to terminate the contract if excusable delays affecting Thales Alenia Space's ability to perform the contract total six consecutive months or at its convenience. If Globalstar terminates the contract, it must pay Thales Alenia Space the lesser of its unpaid costs for work performed by Thales Alenia Space and its subcontractors or payments for the next two quarters following termination. If Thales Alenia Space has not completed the Control Network Facility acceptance review within 60 days of the due date, Globalstar will be entitled to certain liquidated damages. Failure to complete the Control Network Facility acceptance review on or before six months after the due date results in a default by Thales Alenia Space, entitling Globalstar to a refund of all payments, except for liquidated damage amounts previously paid or with respect to items where final delivery has occurred. The Control Network Facility, when accepted, will be covered by a limited one-year warranty. The contract contains customary arbitration and indemnification provisions.

Note 5: Accrued Expenses

Accrued expenses consist of the following (in thousands):

	March 31, 2007	December 31, 2006
Accrued compensation and benefits	$ 4,168	$ 5,757
Accrued professional fees	1,367	1,493
Accrued property and other taxes	3,661	3,176
Accrued commissions	354	610
Customer deposits	2,388	1,489
Employee benefit obligation—current portion	588	443
Warranty reserve	500	879
Commitment fees related to delayed draw term loan and revolving credit facility	569	731
Other accrued expenses	3,983	2,646
	$ 17,578	$ 17,224

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	
	March 31, 2007	March 31, 2006
Balance, at the beginning of period	$ 879	$ 977
Provision	(189)	439
Utilization	(190)	(300)
Balance, at the end of period	$ 500	$ 1,116

Note 6: Payables to Affiliates

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

	March 31, 2007	December 31, 2006
QUALCOMM	$ 2,861	$ 5,847
Thermo Capital Partners	180	172
	$ 3,041	$ 6,019

Thermo incurs certain general and administrative expenses on behalf of the Company, which are reimbursed by the Company. For the three months ended March 31, 2007 and 2006, total expenses were approximately $0 and $25,000, respectively. For each of the three months ended March 31, 2007 and 2006, the Company also recorded $87,000 and $36,000, respectively, of expenses related to services provided by officers of Thermo which were accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts incurred or upon allocated employee time. Management believes the allocations are reasonable.

Note 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 $158.5 million. Approximately $107.7 million of the $158.5 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 $50.8 million consists of phones and accessories under the original commercial agreement and was 100% fulfilled as of December 31, 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 March 31, 2007 and December 31, 2006, total advances to QUALCOMM for inventory were $13.6 million, and $15.3 million, respectively. Under the new agreements, Globalstar did not receive any additional discounts from QUALCOMM. The total orders placed with QUALCOMM as of March 31, 2007 and December 31, 2006 were approximately $186.7 million, with outstanding commitment balances of approximately $76.3 million and $86.7 million, respectively.

Purchases from Affiliates

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

	Three months ended	
	March 31, 2007	March 31, 2006
QUALCOMM	$ 12,957	$ 22,887
Other affiliates	1,903	1,619
Total	$ 14,860	$ 24,506

Revenues from Affiliates

Total usage revenues from affiliates for the three months ended March 31, 2007 and 2006 were $165,000 and $327,000, respectively. Total equipment revenues from affiliates for the three months ended March 31, 2007 and 2006 were $25,000 and $728,000, respectively.

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	
	March 31, 2007	March 31, 2006
Interest cost	$ 190	$ 184
Expected return on plan assets	(200)	(174)
Actuarial loss, net	15	22
Net periodic benefit cost	$ 5	$ 32

Note 9: Income Taxes

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

The application of FIN 48 resulted in a cumulative adjustment of $0.6 million which decreased retained earnings. This decrease was a result of an unrecognized tax benefit of approximately $72.5 million which was substantially offset by the application of a valuation allowance. The unrecognized tax benefit did not change significantly during the three months ended March 31, 2007. In addition, future changes in the unrecognized tax benefit may not have an impact on the effective tax rate due to the existence of the valuation allowances on most of the Company’s deferred tax assets.

Prior to January 1, 2006, the Company and its U.S. operating subsidiaries were treated as partnerships for U.S. tax purposes. Generally, taxable income or loss, deductions and credits of the partnership were passed through to its partners. Effective January 1, 2006, the Company elected to be taxed as a C corporation in the United States.

The Company is not currently under audit by the Internal Revenue Service ("IRS") or by any state jurisdiction in the United States. The Company's corporate U.S. tax returns for 2006 remain subject to examination by tax authorities. The U.S. partnership tax returns filed for years before 2006 remain subject to examination by the tax authorities. As a partnership, the Company did not pay entity level taxes during the years before 2006; accordingly, the Company would not expect an examination of these years to expose the Company to additional significant liability or exposure. State income tax returns are generally subject to examination for a period of three to five years after filing of the respective return. The state impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. In the Company's international tax jurisdictions, numerous tax years remain subject to examination by tax authorities, including tax returns for at least 2001 and subsequent years in most of the Company's major international tax jurisdictions.

Prior to the Company's adoption of FIN 48, its policy was to classify interest and penalties as an operating expense in arriving at pretax income. The Company has computed interest on the difference between the tax position recognized in accordance with FIN 48 and the amount previously taken or expected to be taken in its tax returns. Upon adoption of FIN 48, the Company has elected an accounting policy to also classify accrued interest and penalties related to unrecognized tax benefits in our income tax provision. As of January 1, 2007, the Company had recorded a liability of $0.6 million that included approximately $60,000 and $50,000 for the payment of interest and penalties, respectively.

Given that the Company is not currently under audit by the IRS in the United States or in any of its major international tax jurisdictions, the Company does not believe that it is likely that the amount of the unrecognized benefit with respect to certain of its unrecognized tax positions will significantly increase or decrease within the next 12 months.

The Company's effective tax rate for the first quarter of 2007 was 45%. The effective tax rate may change due to shifts in domestic and international income and other factors.

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 March 31, 2007	Three months ended March 31, 2006
Net income	$ 444	$ 22,486
Other comprehensive income:		
Foreign currency translation adjustments	(190)	515
Total comprehensive income	$ 254	$ 23,001

Note 11: 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. On February 5, 2007, Thermo Funding Company purchased 1,500,000 shares of Common Stock for an aggregate purchase price of approximately $24.3 million. As of March 31, 2007, Thermo Funding Company had purchased 4,427,840 shares of Common Stock for an aggregate purchase price of $71.6 million. Thermo Funding Company purchased additional shares of Common Stock in April and May 2007. See Note 16 for details.

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, 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 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%. The delayed draw term loan facility bears an annual commitment fee of

2.0% until drawn or terminated and the revolving credit facility has an annual commitment fee of 0.5% on the undrawn balance. Commitment fees incurred during the three months ended March 31, 2007 were $563,000. 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 15). 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. The Company was in compliance with all related covenants at March 31, 2007.

As of March 31, 2007, there were no drawings under the $50.0 million revolving credit facility. For the three months ended March 31, 2007, the weighted average annualized interest rate on the outstanding revolving credit loans was 0% because there was no outstanding debt during the period.

Note 12: Equity Incentive Plan

At March 31, 2007, the Company had two share-based compensation plans, which are described below. The compensation cost charged against income for those plans during the three months ended March 31, 2007, was $0.2 million, with a total tax benefit of less than $0.1 million, being recognized in the same period.

On July 12, 2006, the Company's board of directors adopted and a majority of the Company's stockholders approved the Globalstar, Inc. 2006 Equity Incentive Plan ("Equity Plan"), which became effective upon the registration of the Company's Common Stock under the Securities Act of 1933 in November 2006. The purpose of the Equity Plan is to make available incentives that will assist the Company in attracting, retaining and motivating employees, directors and consultants whose contributions are essential to its success. The Company may provide these incentives through the grant of stock

options, stock appreciation rights, restricted stock purchase rights, restricted stock bonuses, restricted stock units, performance shares or performance units. The Equity Plan is administered by the Compensation Committee of the board of directors. On November 9, 2006, the Company registered under the Securities Act 1,200,000 shares of its Common Stock for issuance under the Equity Plan and, on November 10, 2006, the Compensation Committee authorized granting restricted stock and restricted stock unit awards for an aggregate of approximately 295,000 shares of Common Stock to substantially all the Company's employees.

As per the terms of the restricted stock awards and the restricted stock units, 25% of the shares granted vest on either December 12, 2006 or May 1, 2007 and the remainder will vest on November 10, 2009, subject to certain acceleration clauses upon satisfactory completion of Company wide goals. A pre-tax non-cash stock-based compensation expense of $0.2 million was recognized in the three months ended March 31, 2007. The remaining $2.3 million is expected to be amortized over the shares' remaining three-year vesting period. The total income tax benefit recognized during the three months ended March 31, 2007 for these restricted stock awards and restricted stock units was not significant. There was no corresponding stock-based compensation expense or a related tax benefit during the three months ended March 31, 2006. The fair value of these grants was measured based upon the market price of the underlying Common Stock at the date of grant.

Approximately 44,000 restricted stock awards and restricted stock units were granted during the three months ended March 31, 2007. During the three months ended March 31, 2007, the Company's board of directors approved an additional 600,000 shares of the Company's Common Stock for issuance under the Equity Plan. These shares have not been registered under the Securities Act as of March 31, 2007.

In January 2005, the Company promised one of its board members an option to purchase up to 120,000 shares at a price of approximately $2.67 per share (as adjusted for a six-for-one stock split). This option vested fully in March 2006. The grant date intrinsic value and fair value of this award was approximately nil and $40,000, respectively. The intrinsic value at March 31, 2007 was approximately $952,000. There have been no other stock option grants.

Note 13: 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 February 9, 13 and 21, 2007, three plaintiffs (Ladmen Partners, Israel Bollag and Margueritte Sherrard, respectively) filed purported class action lawsuits in the Southern District of New York against the Company, its chief executive officer and its chief financial officer. The actions allege that the Company's registration statement related to its initial public offering in November 2006 contained material misstatements and omissions. The actions cited a drop in the trading price of the Company's Common Stock that followed its filing, on February 5, 2007, of a current report on Form 8-K relating in part to changes in the condition of its satellite constellation. The actions seek recovery on behalf of a class of purchasers of the Company's Common Stock who purchased shares in the initial public offering or traceable to that offering from November 2, 2006 through February 6, 2007. All of the cases have been consolidated, and the Connecticut Laborer's Pension Fund has been appointed lead plaintiff. The Company intends to defend the matters vigorously.

Note 14: Geographic Information

Revenue by geographic location, presented net of eliminations for intercompany sales, was as follows for the three months ended March 31, 2007 and 2006 (in thousands):

	Three months ended

	March 31, 2007	March 31, 2006
Service:		
United States	$ 9,047	$ 9,593
Canada	6,463	8,255
Europe	946	1,294
Central and South America	710	1,000
Others	300	552
Total service revenue	17,466	20,694
Subscriber equipment:		
United States	3,149	2,599
Canada	1,444	2,789
Europe	842	1,494
Central and South America	216	933
Others	37	1,833
Total subscriber equipment revenue	5,688	9,648
Total revenue	$ 23,154	$ 30,342

Note 15: Interest Rate Derivative

In July 2006, in connection with entering into its credit agreement, which provides for interest at a variable rate (Note 11), the Company entered into a five-year interest rate swap agreement. The interest rate swap agreement reflected a $100.0 million notional amount at a fixed interest rate of 5.64%. The fair value of the interest rate swap agreement was $3.1 million and $2.7 million at March 31, 2007 and December 31, 2006, respectively, 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 March 31, 2007, of approximately $0.4 million, was charged to "Interest rate derivative loss" in the accompanying Consolidated Statement of Income.

Note 16: Subsequent Events

On April 7, 2007, Kenneth Stickrath and Sharan Stickrath filed a purported class action complaint against the Company in the U.S. District Court for the Northern District of California. The complaint is based on alleged violations of California Business & Professions Code § 17200 and California Civil Code § 1750, et seq., the Consumers' Legal Remedies Act. Plaintiffs allege that members of the proposed class suffered damages from March 2003 to the present because Globalstar did not perform according to its representations with respect to coverage and reliability. Plaintiffs claim that the amount in controversy exceeds $5 million but do not allege any particular actual damages incurred. The Company intends to answer the complaint at the proper time and to defend itself against the charges in the complaint.

On April 24, 2007, Mr. Jean-Pierre Barrette filed a Motion for Authorization to Institute a Class Action in Quebec, Canada, Superior Court against Globalstar Canada. Mr. Barrette asserts claims based on Quebec law related to his alleged problems with Globalstar Canada's service. The Company is evaluating the Motion and will respond to it in due course.

Consistent with its prior purchases, on April 26, 2007, Thermo Funding Company elected, pursuant to the irrevocable standby stock purchase agreement, to make a further investment in the Company by purchasing an additional 2,164,502 shares of the Company's Common Stock at a price of $16.17 per share for an aggregate purchase price of $35.0 million with the payment made in two tranches. The first of these payments was made on April 30, 2007 in the amount of $25.0 million for 1,546,073 shares. The second payment was made on May 9, 2007 in the amount of $10.0 million for 618,429 shares.

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 and Part I, Item A of our Annual Report on Form 10-K for the year ended December 31, 2006. 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's Discussion and Analysis of Financial Condition" should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition" and information included in our Annual Report on Form 10-K for the year ended December 31, 2006.

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 mobile communications to our subscribers, serves principally the following markets: government, public safety and disaster relief; recreation and personal; maritime and fishing; natural resources, mining and forestry; oil and gas; construction; utilities; and transportation. Both our industry and our own subscriber base have been growing 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 four of our eight spare satellites during the second quarter of 2007 with the remaining four to be launched later in 2007. Assuming these launches are successful and we are able to mitigate the S-band anomaly described below, we expect that our current satellite constellation will provide a commercially acceptable quality of service through 2009, albeit with an increasing number of coverage gaps over areas in which we currently provide two-way communication services. A number of our satellites have experienced various anomalies over time, one of which is a degradation in the performance of the solid-state power amplifiers of the S-band communications antenna. The S-band antenna provides the downlink from the satellite to a subscriber's phone or data terminal. Degraded performance of the S-band antenna reduces the quality of two-way voice and data communication between the affected satellites and the subscriber and may reduce the duration of a call. If the S-band antenna on a satellite ceases to be commercially functional, two-way communication is impossible over that satellite, but not necessarily over the constellation as a whole. Subscriber service will continue to be available, but at certain times in any given location it may take longer to establish calls and the average duration of calls may be impacted adversely. The root cause of the degradation in performance of the amplifiers is unknown, although we believe it may result from irradiation of the satellites in orbit caused by the space environment at the altitude that our satellites operate.

  The S-band antenna amplifier degradation does not affect adversely our one-way "Simplex" data transmission services, which utilize only the L-band uplink from a subscriber's "Simplex" terminal to the satellites.

  To date, we have managed the degradation of the S-band antenna amplifiers in various technical ways, including moving unimpaired satellites to key orbital positions.

  Based on our most recent analysis, we now believe that, if the degradation of the S-band antenna amplifiers continues at the current rate or further accelerates, and if we are unsuccessful in developing additional technical solutions, the quality of two-way communications services will decline, and by some time in 2008 substantially all of our satellites launched between 1998 and 2000, but not those satellites launched in 2007, will cease to be able to support two-way communications services. Simplex data service will not be affected.

  We are working on plans, including new products and services and pricing programs, and exploring the feasibility of accelerating procurement and launch of our second-generation satellite constellation, to attempt to reduce the effects of this problem upon our customers and operations. See "Part I, Item 1A. Risk Factors—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" in our Annual Report on Form 10-K for the year ended December 31, 2006.

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

- *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 49% of our total assets at March 31, 2007 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 successful introduction of superior technology by our competitors.

· *Capital expenditures.* Launching our eight spare satellites to augment our current constellation will cost approximately $120.0 million exclusive of capitalized interest and internal costs, of which $91.9 million (inclusive of $0.8 million of capitalized interest) had been paid or accrued by March 31, 2007. 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 $875.6 million at a weighted average conversion rate of €1.00 = $1.3247 at March 31, 2007 including approximately €146.8 million which may be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = $1.294), contract with Thales Alenia Space for the construction of our second-generation constellation. On March 27, 2007, we entered into a €9.0 million (approximately $12.0 million at a conversion rate of €1.00 = $1.3335) agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for our second-generation satellite constellation. 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 $116.6 million net proceeds of our initial public offering, the $150.0 million available through our credit agreement and the remaining proceeds from sales of our common stock under the irrevocable 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 and by accessing capital markets through additional issuance of debt and equity securities. Our reliance on outside funding sources will increase and this funding may be difficult or expensive to obtain if our future revenues or profitability are substantially below our expectations whether as a result of the degradation of our constellation or for any other reason, 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. 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 (39% for the three months ended March 31, 2007) 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 75% and 68% of our consolidated revenues from the sale of our satellite communication services for the three months ended March 31, 2007 and 2006, respectively.

Subscriber Equipment Sales Revenue. We also sell related voice and data equipment to our customers. We generated approximately 25% and 32% of our consolidated revenues from subscriber equipment sales in the three months ended March 31, 2007 and 2006, respectively.

The table below sets forth amounts and percentages of our revenue by type of service and subscriber equipment sales for the three months ended March 31, 2007 and 2006.

	Three Months Ended March 31, 2007		Three Months Ended March 31, 2006	
	Revenue	% of Total Rev	Revenue	% of Total Rev
Service Revenue:				
Mobile	$ 14,017	60%	$ 15,542	52%
Fixed	1,564	7	1,878	6
Data	393	1	350	1
Simplex	430	2	328	1
IGO	916	4	1,902	6
Other(1)	146	1	694	2
Total Service Revenue	17,466	75	20,694	68
Subscriber Equipment Sales:				
Mobile	2,846	13	3,287	11
Fixed	983	4	1,716	6
Data	294	1	413	1
Accessories/Misc	1,565	7	4,232	14
Total Subscriber Equipment Sales	5,688	25	9,648	32

Total Revenue	$ 23,154	100%	$ 30,342	100%

(1) Includes Engineering Services and activation fees

Operating Income (Loss). Our operating income (loss) decreased from an operating income of $3.9 million for the three months ended March 31, 2006, to an operating loss of $0.6 million for the same period in 2007. The decrease related principally to lower service revenue as a result of degraded service our customers experienced during the three months ended March 31, 2007 compared to the same period last year. This service degradation was the result of a constellation reconfiguration we were in the midst of completing in the first quarter of 2007 to accommodate inclusion of eight spare satellites that we plan to launch in 2007 and the S-band antenna amplifier problem described above. Lower usage also resulted in lower Average Revenue Per Unit (ARPU) on our monthly service plans. Moreover, in order to stimulate future demand for our services we began offering promotional pricing to certain wholesale customers, which resulted in lower service revenue for the quarter. Subscriber Equipment Sales were lower than during the three months ended March 31, 2007 compared to the same period in 2006. This was primarily due to the Independent Gateway Operators (IGO's) making their equipment purchases during the fourth quarter of 2006 to take advantage of equipment discounts available to them during that period and consequently buying less equipment during the three months ended March 31, 2007.

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 principally in shares of our common stock. 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, pension obligations, derivative instruments and Stock-Based Compensation, on an on-going basis. We base our estimates and judgments on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from our estimates under different assumptions or conditions. We believe the following accounting policies are most important to understanding our financial results and condition and require complex or subjective judgments and estimates.

Revenue Recognition

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

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

Occasionally we have granted customer concessions in the form of customer credits. These concessions are expensed when granted.

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

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

We introduced annual plans (sometimes called Liberty plans) in August 2004 and introduced broadly during the second quarter of 2005. These plans grew substantially in 2005 and 2006. These plans require users to pre-pay usage charges for the entire plan period, generally 12 months, which results in the deferral of certain of our revenues. Under our revenue recognition policy for annual plans, we defer revenue until the earlier of when the minutes are used or when these minutes expire. Any unused minutes are recognized as revenue at the expiration of a plan. Most of our customers have not used all the minutes that are available to them or have not used them at the pace anticipated, which, with the rapid acceptance of our annual plans, has caused us to defer increasingly large amounts of service revenue. At March 31, 2007 and December 31, 2006, our deferred revenue aggregated approximately $24.1 million and $24.7 million, respectively. 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. 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. We perform ongoing evaluations of the estimated useful lives of our property and equipment for depreciation purposes. The estimated useful lives are determined and continually evaluated based on the period over which services are expected to be rendered by the asset. Maintenance and repair items are expensed as incurred.

Income Taxes

Until January 1, 2006, we were treated as a partnership for U.S. tax purposes. Generally, our taxable income or loss, deductions and credits were passed through to our members. We did have some corporate subsidiaries that required a tax provision or benefit using the asset and liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Effective January 1, 2006, we elected to be taxed as a C corporation in the United States. When an enterprise changes its tax status from non-taxable to taxable, under SFAS No. 109 the effect of recognizing deferred tax assets and liabilities is included in income from continuing operations in the period of change. As a result, we recognized a gross deferred tax asset of $204.2 million and a gross deferred tax liability of $0.1 million on January 1, 2006. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors including the expected level of future taxable income and available tax planning strategies. We determined that it was more likely than not that we would not recognize the entire deferred tax asset; therefore, we established a valuation allowance of $182.7 million, resulting in recognition of a net deferred tax benefit of $21.4 million. We monitor the situation to ensure that, if and when we are more likely than not to be able to utilize more of the deferred tax asset, we will be able to reduce the valuation allowance accordingly. On January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). See Note 9 to our unaudited interim consolidated financial statements for the impact of this adoption on our financial statements.

Spare Satellites, Launch Costs and Second-Generation Satellites

Old Globalstar purchased eight additional satellites in 1998 for $148.0 million (including performance incentives of up to $16.0 million) to serve as on-ground spares. Costs of $147.0 million (including a portion of the performance incentives) were previously recognized for these spare satellites. Prior to December 5, 2003, Old Globalstar recorded an impairment of these assets, and at December 5, 2003 they were carried at $0.9 million. All eight satellites have been completed and are being readied for launch. We plan to launch four of the eight spare satellites during the second quarter of 2007 with the remaining satellites expected to be launched later in 2007. Depreciation of these assets will not begin until the satellites are placed in service. As of March 31, 2007 and December 31, 2006, these assets were recorded at $91.9 million and $87.8 million, respectively. On November 30, 2006, we entered into a contract with Thales Alenia Space to construct 48 low-earth orbit satellites. The total contract price will be approximately €661.0 million (approximately $875.6 million at a weighted average conversion rate of €1.00 = $1.3247 at March 31, 2007 including approximately €146.8 million which may be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = $1.294). The contract requires Thales Alenia Space to commence delivery of satellites in the third quarter of 2009, with deliveries continuing until 2013 unless we elect to accelerate delivery. As of March 31, 2007 and December 31, 2006, capitalized interest included within spare and second-generation satellites and launch costs was $0.9 million. On March 27, 2007, we entered into an agreement with Thales Alenia Space dated March 22, 2007 for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for the Company's second-generation satellite constellation. This agreement complements the second-generation satellite construction contract with Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.0 million (approximately $12.0 million at a conversion rate of €1.00 = $1.3335) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009.

Pension Obligations

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

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

We determine the discount rate used to measure plan liabilities as of the December 31 measurement date for the U.S. pension plan. The discount rate reflects the current rate at which the associated liabilities could be effectively settled at the end of the year. In estimating this rate, we look at rates of return on fixed-income investments of similar duration to the liabilities in the plan that receive high, investment grade ratings by recognized ratings agencies. Using these methodologies, we determined a discount rate of 5.75% to be appropriate as of December 31, 2006, which is an increase of 0.25 percentage points from the rate used as of December 31, 2005. An increase of 1.0% in the discount rate would have decreased our plan liabilities as of December 31, 2006 by $0.1 million and a decrease of 1.0% could have increased our plan liabilities by $0.1 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 2006.

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, 2006, we had net unrecognized pension actuarial losses of $2.0 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.

Stock-Based Compensation

Effective January 1, 2006, as a result of our initial public offering, we adopted the provisions of Statement of Financial Accounting Standards 123(R), "Share-Based Payment" ("SFAS 123(R)"), and related interpretations, or SFAS 123(R), to account for stock-based compensation using the modified prospective transition method and therefore have not restated our prior period results. Among other things, SFAS 123(R) requires that compensation expense be recognized in the financial statements for both employee and non-employee share-based awards based on the grant date fair value of those awards. At January 1, 2006, the option of one board member to purchase up to 120,000 shares of Common Stock at $2.67 per share was the only outstanding equity award. Compensation cost related to the remaining portion of this award for which the requisite service had not been rendered was insignificant. Therefore, the adoption of SFAS 123(R) did not have a significant impact on our financial position or results of operations.

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

Results of Operations

Comparison of Results of Operations for the Three Months Ended March 31, 2007 and 2006 (in thousands):

	Three months ended March 31, 2007	Three months ended March 31, 2006	% Change
Revenue:			
Service revenue	$ 17,466	$ 20,694	(16)%
Subscriber equipment sales	5,688	9,648	(41)
Total revenue	23,154	30,342	(24)
Operating expenses:			
Cost of services (exclusive of depreciation and amortization shown separately below)	6,383	6,547	(3)
Cost of subscriber equipment sales	3,451	8,515	(59)
Marketing, general and administrative	11,482	9,965	15
Depreciation and amortization	2,424	1,390	74
Total operating expenses	23,740	26,417	(10)
Operating income (loss)	(586)	3,925	(115)
Other income (expense):			
Interest income	828	167	396
Interest expense	(311)	(20)	1,455
Interest rate derivative loss	(364)	—	100
Other income (expense)	1,234	(337)	(466)
Total other income (expense)	1,387	(190)	(830)
Income before income taxes	801	3,735	(79)
Income tax expense (benefit)	357	(18,751)	(102)
Net income	$ 444	$ 22,486	(98)%

Revenue. Total revenue decreased by $7.2 million, or approximately 24%, to $23.2 million for the three months ended March 31, 2007, from $30.3 million for the three months ended March 31, 2006. This decrease can be attributed to lower service revenues as a result of degraded service from the constellation reconfiguration we were in the midst of completing in the first quarter of 2007 to accommodate the inclusion of eight spare satellites we plan to launch in 2007. Additionally, lower equipment sales to our Independent Gateway Operators (IGO's) in the quarter ended March 31, 2007 compared to the same period last year further contributed to the decrease in our revenues. Our IGO's made their equipment purchases during the fourth quarter of 2006 to take advantage of equipment discounts available to them during that period and consequently purchased less equipment during the three months ended March 31, 2007. As a result of degraded satellite performance, our retail ARPU during the three months ended March 31, 2007 decreased by 27% to $42.71 from $58.55 for the three months ended March 31, 2006.

Service Revenue. Service revenue decreased $3.2 million, or approximately 16%, to $17.5 million for the three months ended March 31, 2007, from $20.7 million for the three months ended March 31, 2006. Although our subscriber base grew 33% to approximately 272,000 over the twelve-month period from March 31, 2006 to March 31, 2007, we experienced decreased ARPU and lower usage from our existing subscribers. The primary reason for this reduction was the degraded nature of our service in the first quarter of 2007.

Subscriber Equipment Sales. Subscriber equipment sales decreased by $3.9 million, or approximately 41%, to $5.7 million for the three months ended March 31, 2007, from $9.6 million for the three months ended March 31, 2006. The decrease was primarily due to lower equipment sales to our Independent Gateway Operators (IGO's) in the quarter ended March 31, 2007 compared to the same period last year. Our IGO's made their equipment purchases during the fourth quarter of 2006 to take advantage of equipment discounts available to them during that period and consequently bought less equipment during the three months ended March 31, 2007.

Operating Expenses. Total operating expenses decreased $2.7 million, or approximately 10%, to $23.7 million for the three months ended March 31, 2007, from $26.4 million for the three months ended March 31, 2006. This decrease was due primarily to lower cost of subscriber equipment consistent with lower equipment sales for the quarter ended March 31, 2007.

Cost of Services. Our cost of services for the three months ended March 31, 2007 and 2006 were $6.4 million and $6.5 million, respectively. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature.

Cost of Subscriber Equipment Sales. Cost of subscriber equipment sales decreased $5.1 million, or approximately 59%, to $3.5 million for the three months ended March 31, 2007, from $8.5 million for the three months ended March 31, 2006. This decrease was due primarily to lower equipment sales and higher margin sales in the three months ended March 31, 2007 as compared to the same period in 2006.

Marketing, General and Administrative. Marketing, general and administrative expenses increased $1.5 million, or approximately 15%, to $11.5 million for the three months ended March 31, 2007, from $10.0 million for the three months ended March 31, 2006. This increase was primarily due to higher professional fees related to operating as a public company and non-cash stock compensation expense.

Depreciation and Amortization. Depreciation and amortization expense increased $1.0 million, or 74%, to $2.4 million for the three months ended March 31, 2007, from $1.4 million for the three months ended March 31, 2006. This increase was primarily due to the additional depreciation associated with our Alaska gateway which became operational in July 2006 and as a result of reducing the remaining useful life of our satellite system and related assets from 39 months to 27 months, beginning in the fourth quarter of 2006.

Operating Income (Loss). Operating income (loss) decreased $4.5 million, or approximately 115%, to an operating loss of $0.6 million for the three months ended March 31, 2007, from operating income of $3.9 million for the three months ended March 31, 2006. The decrease was due to the lower service and subscriber equipment revenues and higher marketing, general and administrative expenses and higher depreciation expenses.

Interest Income. Interest income increased by $0.7 million for the three months ended March 31, 2007. This increase was due to increased cash balances on hand and higher yields on those balances.

Interest Expense. Interest expense increased by $0.3 million, to $0.3 million for the three months ended March 31, 2007 from less than $0.1 million for the three months ended March 31, 2006. This increase was due to commitment fees related to our revolving credit facility and amortization of deferred financing costs.

Interest Rate Derivative Loss. For the three months ended March 31, 2007, interest rate derivative loss consists of a $0.4 million loss due to a change in the fair value of our 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 $1.6 million for the three months ended March 31, 2007 as compared to the same period in 2006.

Income Tax Expense (Benefit). Income tax expense for the three months ended March 31, 2007 was $0.4 million compared to an income tax benefit of $18.8 million during the same period in 2006. The change between periods was a result of a $21.4 million deferred tax benefit recorded on January 1, 2006 upon our election to be taxed as a C Corporation.

Net Income. Our net income decreased $22.0 million to $0.4 million for the three months ended March 31, 2007, from $22.5 million for the three months ended March 31, 2006. This was primarily due to lower revenue during the three months ended March 31 2007 and deferred tax benefit recognized during the same period in 2006.

Liquidity and Capital Resources

The following table shows our cash flows from operating, investing, and financing activities for the three months ended March 31, 2007 and 2006:

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Net cash from operating activities	$ (17,656)	$ 4,335
Net cash from investing activities	(30,005)	(4,470)
Net cash from financing activities	23,755	12,837
Effect of exchange rate changes on cash	(373)	91
Net increase (decrease) in cash and cash equivalents	$ (24,279)	$ 12,793

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 ($47.6 million at March 31, 2007, which our management believes is sufficient for our present requirements), to pay amounts due within six months for the launch of our eight spare satellites (approximately $26.7 million) and to make any initial payments to procure our second-generation satellite constellation, construct the Control Network Facility and upgrade our gateways and other ground facilities, in a total amount not yet determined, but which will include approximately $130.2 million and $6.7 million payable to Thales Alenia Space by March 2008 under the purchase contract for our second-generation satellites and the contract for construction of the Control Network Facility, respectively, and fulfill cash escrow requirements under the Thales Alenia Space contract approximating an additional $51.5 million through March 31, 2008. We expect to fund these requirements with cash on hand ($19.4 million at March 31, 2007), borrowings under our credit facility (of which the entire $100.0 million related to the delayed draw term loan and $50.0 million related to the revolving credit facility, was undrawn at March 31, 2007), and proceeds from the sale of our common stock to Thermo Funding Company (whose remaining commitment under the standby stock purchase agreement at March 31, 2007 was $128.4 million).

Our principal long-term liquidity needs are to fund our working capital, including any growth in working capital required by growth in our business, to pay the costs of procuring and deploying our second-generation satellite constellation and upgrading our gateways and other ground facilities and to fund the cash requirements of our independent gateway operator acquisition strategy, in an amount not determinable at this time. We expect to fund our long-term capital needs with the proceeds from our initial public offering, the $100.0 million delayed draw term loan and the revolving credit facility under our credit agreement, the remaining funds available from sales of our common stock under Thermo Funding Company's standby stock purchase agreement and cash flow generated from our operations. To the extent additional funds are necessary to meet our long-term liquidity needs, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds. We have not obtained any commitment for such funds. See "Part I, Item 1A. Risk Factors—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" in our Annual Report on Form 10-K for the year ended December 31, 2006.

Although we believe that these sources will provide sufficient liquidity for us to meet our long-term liquidity requirements, our liquidity and our ability to fund these needs will depend to a significant extent on our future financial performance, which will be subject in part to general economic, financial, regulatory and other factors that are beyond our control, including trends in our industry and technology discussed elsewhere in this Report. In addition to these general economic and industry factors, the principal factors determining whether our cash flows will be sufficient to meet our long-term liquidity requirements will be our ability to continue to provide attractive and competitive services and products, successful mitigation of the degradation of our current satellite constellation until we can deploy our second-generation satellite constellation, increase our number of subscribers and average revenue per user, control our costs, and maintain our margins and profitability. If those factors change significantly or other unexpected factors adversely affect us, our business may not generate sufficient cash flow from operations and future financings may not be available on terms acceptable to us or at all to meet our liquidity needs.

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 three months ended March 31, 2007 decreased to a cash outflow of $17.7 million from a cash inflow of $4.3 million for the three months ended March 31, 2006. This decrease was a result of lower revenues and changes in operating assets and liabilities during the three months ended March 31, 2007 as compared to the three months ended March 31, 2006.

Net Cash from Investing Activities

Cash used in investing activities was $30.0 million for the three months ended March 31, 2007, compared to $4.5 million for the same period in 2006. This increase was the result of capital expenditures for the scheduled launch of our eight spare satellites in 2007 and construction expenses for our second-generation satellite constellation.

Net Cash from Financing Activities

Net cash provided by financing activities increased by $11.0 million to $23.8 million from $12.8 million for the three months ended March 31, 2007 as compared to the same period in 2006. The increase was the result of $24.3 million received from Thermo Funding Company for equity purchased pursuant to its irrevocable standby stock purchase agreement in the three months ended March 31, 2007 as compared to $13.0 million of subscription receivables received in the three months ended March 31, 2006.

Capital Expenditures

Our capital expenditures consist primarily of upgrading our satellite constellation and gateways and other ground facilities. In 2005, we began construction of a new gateway in Wasilla, Alaska to cover the Alaskan territory and part of the Bering Sea. The Alaska gateway went into operation in July 2006. This gateway cost $4.8 million (excluding $0.8 million for the purchase of real property). In 2005, we also commenced capital expenditures for the launch of our eight spare satellites. In 2006 and the three months ended March 31, 2007, we incurred $84.8 million and $4.1 million, respectively, related to the launch of our eight spare satellites. Total amount incurred related to the launch of our eight satellites as of March 31, 2007 was $91.9 million. The total expected cost for the launch of the spare satellites is approximately $120.0 million exclusive of capitalized interest and internal costs. In the fourth quarter of 2006, we entered into a contract for our second-generation satellite constellation in the amount of approximately $875.6 million at a weighted average conversion rate of €1.00 = $1.3247 at March 31, 2007, including approximately €146.8 million which may be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = $1.294, and have incurred approximately $56.0 million in related costs through March 31, 2007. We intend to use the proceeds from our initial public offering, cash flows from our operations, funding available from our credit agreement and available liquidity from Thermo Funding Company's irrevocable standby stock purchase agreement, and to the extent necessary, additional indebtedness, additional equity financings or a combination of these potential sources, to fund our capital expenditures.

Cash Position and Indebtedness

As of March 31, 2007, our total cash and cash equivalents were $19.4 million and we had total indebtedness of $0.7 million, compared to total cash and cash equivalents and total indebtedness at March 31, 2006 of $33.1 million and $1.4 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, 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 chosen not to seek commitments for these additional term loans at this time. 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%. We had no borrowings under the revolving credit facility at March 31, 2007. The delayed draw term loan will bear interest at LIBOR plus 6.0% or the greater of the prime rate or Federal Funds rate plus 5.0%, and the delayed draw term loan facility bears an annual commitment fee of 2.0% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. To hedge a portion of the interest rate risk with respect to the delayed draw term loans, we entered into a five-year interest rate swap agreement. See "Note 15: 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 the circumstances described below up to 12,371,136 shares of our Common Stock at a price per share of approximately $16.17 (approximately $200.0 million in the aggregate), without regard to any future increase or decrease in the trading price of 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.

Pursuant to the agreement, Thermo Funding Company will be required to purchase shares of our Common Stock (in minimum amounts of $5.0 million) as may be necessary:

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

The agreement 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 purchased 4,427,840 shares of Common Stock for an aggregate purchase price of approximately $71.6 million prior to March 31, 2007. Consistent with its prior purchases, on April 26, 2007, Thermo Funding Company elected to make a further investment by purchasing an additional 2,164,502 shares of our Common Stock at a price of $16.17 per share for an aggregate purchase price of $35.0 million with the payment made in two tranches. The first of these payments was made on April 30, 2007 in the amount of $25.0 million for 1,546,073 shares. The second payment was made on May 9, 2007 in the amount of $10.0 million for 618,429 shares. We will not receive the entire remaining $93.4 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 of 1933) 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, 2006 and the three months ended March 31, 2007, we committed to purchase $187.6 million of mobile phones, services and other equipment under various commercial agreements with QUALCOMM. At March 31, 2007, we had a remaining commitment to purchase $76.3 million of equipment from QUALCOMM. We believe the long-term equipment contract with QUALCOMM is necessary to obtain the best possible pricing for the development and purchase of our second-generation of handsets and accessories. We expect to fund this remaining commitment from our working capital 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. At March 31, 2007, we had authorized Space Systems/Loral, Inc. to spend up to approximately $25.4 million related to this agreement and related task orders, and approximately $13.8 million of those charges had been incurred. The agreement renews annually for up to 10 years unless terminated earlier. We may terminate the agreement upon 30-days notice and any task order upon 10-days notice. Upon termination, we must pay for any costs related to services performed through termination and the 10-day transition period thereafter. Those costs may not exceed the amount previously authorized by us. We or Space Systems/Loral may terminate the agreement upon any uncured material breach of the terms of the agreement or any task order.

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. Starsem, a French-Russian joint venture, is a leading provider of launch services utilizing highly reliable human-rated Soyuz launchers, with over 1700 successful missions to date and approximately 99% reliability rating. The contract also provides for a compatibility and feasibility study and certain post-launch services. As of March 31, 2007, we had incurred approximately $69.9 million in obligations to Starsem under the contract. We estimate that the total cost of completing, testing and launching our eight spare satellites (including launch insurance) will be approximately $120.0 million, including payments to Starsem.

Pursuant to a memorandum dated as of June 1, 2005, we agreed to provide supplemental incentive compensation to certain of our executive officers in the form of cash bonuses which, upon the fulfillment of certain conditions, may aggregate up to $30.0 million. In both 2005 and 2006, we accrued $1.6 million in compensation expense with respect to this plan. Approximately $3.2 million was paid to the executive officers in January 2007 pursuant to this plan. During the three months ended March 31, 2007, we had accrued approximately $1.0 million in compensation expense related to this plan.

On November 30, 2006, we and Thales Alenia Space entered into a definitive contract pursuant to which Thales Alenia Space will construct 48 low-earth-orbit satellites in two batches (the first of 25, including a proto-flight model satellite, and the second of 23) for our second-generation satellite constellation. Under the contract, Thales Alenia Space also will provide launch support services and mission operations support services. We 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 $875.6 million at a weighted average conversion rate of €1.00 = $1.3247 at March 31, 2007 including approximately €146.8 million which may be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = $1.294), subject to reduction by approximately € 28.0 million (approximately $37.1 million) if we elect to accelerate construction and delivery of the second batch of satellites. Of the € 661.0 million, approximately € 620.0 million ($821.3 million) will be paid for the design, development and manufacture of the satellites and approximately € 41.0 million ($54.3 million) will be paid for launch and mission support services. We are also obligated to pay Thales Alenia Space up to $75.0 million in bonus payments depending upon the fulfillment of various conditions, including our cumulative EBITDA exceeding certain projections, Thales Alenia Space's achievement of the specified delivery schedule and satisfactory operation of the satellites after delivery. The approximately € 12.4 million ($16.0 million) paid by us to Thales Alenia Space pursuant to an Authorization to Proceed dated October 5, 2006, as amended, was credited against payments to be made by us under the contract. We have established and maintain an escrow account with a commercial bank to secure our payment obligations under the contract, with the amount of the escrow account being not less than the next two quarterly payments required by the contract. The initial escrow deposit was € 40.0 million. We and Thales Alenia Space entered into the escrow agreement on December 21, 2006. We obtained the consent of our lenders to establish the escrow account. Payments under the contract began in the fourth quarter of 2006 and will extend into the fourth quarter of 2013 unless we elect to accelerate the delivery of the second batch of satellites. The contract requires Thales Alenia Space to commence delivery of the satellites in the third quarter of 2009, with deliveries continuing until the third quarter of 2013, unless we elect to accelerate deliveries. If we elect to accelerate delivery of the second batch of satellites, it is contemplated that all of the satellites will be delivered by the third quarter of 2010.

On March 27, 2007, we entered into an agreement with Thales Alenia Space dated March 22, 2007 for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for our second-generation satellite constellation. This agreement complements the second-generation satellite construction contract with Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.0 million (approximately $12.0 million at a conversion rate of €1.00 = $1.3335) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. We have the option to terminate the contract if excusable delays affecting Thales Alenia Space's ability to perform the contract total six consecutive months or at its convenience. If we terminate the contract, we must pay Thales Alenia Space the lesser of its unpaid costs for work performed by Thales Alenia Space and its subcontractors or payments for the next two quarters following termination. If Thales Alenia Space has not completed the Control Network Facility acceptance review within sixty days of the due date, we will be entitled to certain liquidated damages. Failure to complete the Control Network Facility acceptance review on or before six months after the due date results in a default by Thales Alenia Space, entitling us to a refund of all payments, except for liquidated damage amounts previously paid or with respect to items where final delivery has occurred. The Control Network Facility, when accepted, will be covered by a limited one-year warranty. The contract contains customary arbitration and indemnification provisions.

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. We have also entered into two separate contracts with Thales Alenia Space to construct 48 low earth orbit satellites for our second-generation satellite constellation and to provide launch-related and operations support services, and to construct the Satellite Operations Control Centers, Telemetry Command Units and In-Orbit Test Equipment for our second-generation satellite constellation. All payments under the Starsem contract, and a substantial majority of the payments under the Thales Alenia Space 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 15: Interest Rate Derivative" of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report.

Item 4T. 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 the material weakness and significant deficiency discussed below, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Because the material weakness described below has not been fully remediated as of the filing date of this Report, management, including our chief executive officer and chief financial officer, continues to conclude that our disclosure controls and procedures are not effective as of the filing date of this Report. Notwithstanding the material weakness, we believe that the consolidated financial statements included in this Report fairly present, in all material respects, our consolidated financial position and results of operations as of and for the three months ended March 31, 2007.

In connection with its audit of our 2006 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 the preparation, analysis and review of financial information. The material weakness was a combination of significant deficiencies, including the timeliness of identifying, researching and resolving accounting issues, the sharing of information and knowledge within and outside our accounting department, and the lack of specific metrics or processes to act

as early warning indicators of potential impairments, that resulted in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Crowe Chizek also identified a significant deficiency in our internal controls related to the revenue recognition process for annual service plans, which adversely affects our ability to initiate, authorize, record, process, or report external financial data reliably in accordance with generally accepted accounting principles so that there is more than a remote likelihood that a misstatement of our annual or interim financial statements that is more than inconsequential will not be prevented or detected. Neither the material weakness nor the significant deficiency resulted in a change to the previously disclosed consolidated financial statements in this Report; however, these issues, if not resolved, could impact our financial statements in the future.

We intend to remediate this material weakness by hiring additional high-level accounting personnel and instituting additional procedures for interdepartmental communication and staff meetings. We intend to remediate this significant deficiency by adding more automated reporting capabilities in our billing software to reduce the use of manual processes. We do not expect the costs related to these remediations to be material.

The certifications of our chief executive officer and chief financial officer filed as Exhibits 31.1, 31.2 and 32.1 to this Report should be read in conjunction with the disclosures in this Item 4T.

(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.

Since the second half of 2006, we have invested significant resources to comprehensively document and analyze our system of internal control over financial reporting. We have identified areas requiring improvement, and we are in the process of designing enhanced processes and controls to address issues identified through this review. Areas of improvement include streamlining and standardizing our domestic and international billing and other processes, further limiting internal access to certain data systems and continuing to improve coordination and communication across business functions. We plan to continue this initiative as well as prepare for our first management report on internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act of 2002 for the annual period ending December 31, 2007, which may result in changes to 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 elsewhere in this Report. For more detailed information on litigation matters outstanding please see "Item 3 - Legal Proceedings" in our Annual Report on Form 10-K and Notes 13 and 16 of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report.

Item 1A. Risk Factors

You should carefully consider the risks described in this Report and all of the other reports that we file from time to time with the Securities and Exchange Commission ("SEC"), in evaluating and understanding us and our business. Additional risks not presently known or that we currently deem immaterial may also impact our business operations and the risks identified in this Report may adversely affect our business in ways we do not currently anticipate. Our financial condition or results of operations also could be materially adversely affected by any of these risks. We do not believe there have been any material changes to the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2006. We advise you to review that report, which we filed on April 2, 2007.

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

On April 24, 2006, we entered into an irrevocable standby stock purchase agreement with Thermo Funding Company LLC, an affiliate of ours, pursuant to which the latter agreed to purchase up to 12,371,136 shares of Common Stock at a price of $16.17 per share. On February 5, 2007, Thermo Funding Company purchased 1,500,000 shares of common stock for $24.3 million. Thermo Funding Company had purchased 4,427,840 of such shares as of March 31, 2007 for an aggregate purchase price of $71.6 million. The standby stock purchase agreement was required by the lender as a condition to entering into our credit agreement. The sale of these shares was exempt from registration under Section 4(2) of the Securities Act.

On November 7, 2006, we completed the 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

$1.9 million, our net proceeds from the initial public offering were approximately $116.6 million. As of March 31, 2007, we have used $33.3 million to repay our revolving credit facility, which may be redrawn subsequently, 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. Of the remaining proceeds, $53.9 million has been placed in an escrow account to secure our payment obligations related to the contract with Thales Alenia Space for the construction of our second-generation constellation and $15.4 million has been invested in highly liquid short-term investments in accordance with our investment policy.

Item 6. Exhibits

Number	Description
10.1+	Contract between Globalstar, Inc. and Thales Alenia Space France (formerly known as Alcatel Alenia Space France) dated as of March 22, 2007.
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 Securities and Exchange 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: May 15, 2007

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

Date: May 15, 2007

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

CONFIDENTIAL TREATMENT

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

CONTRACT

BETWEEN

GLOBALSTAR, INC.

AND

ALCATEL ALENIA SPACE FRANCE

FOR THE CONSTRUCTION OF
THE GLOBALSTAR CONTROL NETWORK FACILITY
FOR THE SECOND GENERATION CONSTELLATION

CONTRACT NUMBER GINC-C-07-0320

TABLE OF CONTENTS

This Contract dated as of the 22nd day of March 2007, 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 has procured from Contractor forty eight (48) satellites for Globalstar Second Generation and other Deliverable Items and related services pursuant to a contract ("Satellite Contract") dated as of November 30th, 2006; and

Whereas, Purchaser desires to procure from Contractor the Control Network Facility for the Globalstar Second Generation and other Deliverable Items and related services; and

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

"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.

"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).

"Control Network Facility" shall mean the items to be provided by Contractor under this Contract composed of the following Subsystems: (i) Satellite Operations Control Centers (SOCCs), (ii) the Telemetry Command Units (TCUs) and (iii) the In Orbit Test Equipment (MCE and CMA).

"Control Network Facility Acceptance Review" shall have the meaning set forth in section 2 of Exhibit A.

"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 Place" shall mean the port of entry in the country of destination 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.

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

"Excusable Delay" shall have the meaning as set forth in Article 17.

"Factory Test Review" shall have the meaning set forth in section 2 of Exhibit A.

"Final Acceptance" shall be as described in Article 8.

"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, including the satellites from the first generation, Ground Control Network, network control centers and user terminals for the provision of communications services.

"Ground Control Network" shall mean the network composed of the following: (i) Control Network Facility, (ii) the gateway RF terminals and (iii) the Globalstar data network.

"In Orbit Test Equipment" or "IOTE" shall mean both the two (2) IOTE (Measurement and Calibration Equipment (MCE)) and the IOTE (Control, Monitoring and Analysis (CMA)), as set forth in section 9.1.3 of Exhibit A.

"Intellectual Property" or "IP" shall mean all intellectual property, including without limitation, inventions, patents, copyrights, trade secrets, Documentation including Technical Data, discoveries, technical know-how, techniques, procedures, methods, designs, improvements or innovations and computer programs in executable code and source code form.

"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 400 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).

"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 C.

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

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

"Preliminary Design Review" or "PDR" shall mean the review described in section 2 of Exhibit A.

"Purchaser" shall mean Globalstar, Inc.

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

"Satellite" or "Spacecraft" shall mean any spacecraft to be constructed and delivered pursuant to the Satellite Contract and/or the last eight (8) spacecrafts of the first generation to be launched in 2007.

"Satellite Contract" shall mean the contract entered into between Purchaser and Contractor dated November 30th, 2006 for the delivery of the Satellites and associated hardware and services (Contract number GINC-C-06-0300).

"Satellite Operations Control Centers" or "SOCCs" shall mean the Main SOCC, the Development SOCC and the Back Up SOCC to be delivered under this Contract, as set forth in section 9.1.2 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).

"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 Deliverable Items, including documentation.

"Telemetry Command Units" or "TCUs" shall mean the six (6) TCU Racks to be delivered under this Contract, as set forth in section 9.1.1 of Exhibit A.

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

"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 10 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	Globalstar Second Generation Control Network Facility Statement of Work Ref RAOT-ASP-SW-3301 Issue 3 dated March 21, 2007
Exhibit B1	Satellite Operation Control Center Requirements Specification Document Ref GS-06-1126 issue 2 dated March 20, 2007
Exhibit B2	Telemetry and Command Unit Requirements Specification Document Ref GS-06-1125 issue 2 dated March 20, 2007
Exhibit B3	In Orbit Test Equipment Requirements Specification Document Ref GS-06-1127 issue 1 dated July 14, 2006

Exhibit C	Payment Plan
Appendix 1	Mutual Nondisclosure Agreement between Globalstar, Inc and Alcatel Alenia Space France, dated November 2nd 2006 (incorporated herein by reference).
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 (incorporated herein by reference).

(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

Appendix 1

Exhibit C

Exhibit A

Exhibit B1, B2 and B3

(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) The Satellite Operations Control Centers for monitoring the Spacecrafts, as generally described in Exhibit B1.

(ii) The Telemetry Command Units, as described in Exhibit B2.

(iii) The In Orbit Test Equipment, as described in Exhibit B3.

(iv) Documentation as described in section 9.3 of Exhibit A.

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 shall provide all items as set forth in section 10 of Exhibit A.

(ii) Subject to government requirements, Purchaser will provide access to Contractor and its Subcontractors at each of Purchaser's SOCC facilities and pertinent Globalstar gateways, on a timely basis, as necessary to permit Contractor to deliver, install and test the Deliverable Items.

(iii) Purchaser shall be responsible for obtaining all necessary approvals, authorizations and/or licenses to import, install, test, use and operate the Deliverable Items in all countries of installation.

(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 C, as such Total Price may be adjusted in accordance with the provisions of this Contract.

The Total Price shall be deemed to include all fees for the use of Intellectual Property as defined in Article 12 and 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
1	SOCCs	4,000,000
2	TCUs	3,000,000
3	IOTE	2,000,000
Total Price		**9,000,000**

(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 services under this Contract are performed or where the items are delivered (except for services rendered in France or by the Subcontractors in their countries).

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, 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
PURCHASER'S UNDERTAKINGS UNDER THE SATELLITE CONTRACT

Inasmuch as the Contractor is also the Satellite Contract contractor, if Purchaser is delayed in the performance of any of its obligations under the Satellite Contract due to a delay solely caused by Contractor under this Contract, and it is not an Excusable Delay, then contractor under Satellite Contract shall not be entitled to claim for any cost or schedule adjustments as set forth in Article 3(B) of the Satellite Contract nor shall be considered as an excusable delay as set forth in Article 17 of the Satellite Contract for contractor's performance in meeting its delivery obligations.

ARTICLE 6
DELIVERY AND DELIVERY SCHEDULE

(A) The Delivery Schedule is identified in the Table below. Delivery of a Deliverable Item shall be deemed to have occurred upon arrival at the Delivery Place.

Item	Description	Delivery Date or date of performance	Delivery Place
1	Main SOCC Development SOCC Back-Up SOCC	Per Exhibit A	Milpitas, CA Milpitas, CA El Dorado Hills, CA
2	6 TCU Racks	Per Exhibit A	Clifton, TX Aussaguel, France Bosque Alegre, Argentina Dubbo, Australia Yeo-Ju, South Korea Delareyville, South Africa-(TBC)
3	IOTE (MCE) IOTE (MCE) IOTE (CMA)	Per Exhibit A	Clifton, TX Aussaguel, France Milpitas, CA
4	Documentation	Per Exhibit A	Milpitas, CA

(B) The Deliverable Items shall be transported at Contractor's risk and expense Carriage and Insurance Paid to the Delivery Place as specified in the Table above ("CIP" according to Incoterms 2000), except for Documentation that shall be transported at Contractor's risk and expense Delivered Duties Unpaid ("DDU" according to Incoterms 2000) to Delivery Place as specified in the Table above.

(C) 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 C 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 April 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, in accordance with Exhibit C. So there is no misunderstanding, the Parties agree that the invoice for and payment of the first payment (second quarter of 2007) shall be handled as set forth in Article 32.

(ii) Beginning with the quarter that starts July 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 C, 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 a dispute over a Milestone Event payment shall not relieve Purchaser of its obligation to make subsequent payments.

(C) 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.

(D) In the event that Contractor achieves any Milestone Event in advance of the scheduled achievement date provided for in Exhibit C and provided that the cumulative amount of payments shall not exceed the schedule set forth in Exhibit C, 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.

(E) 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 nº [*]

Globalstar, Inc.

Union Bank of California
Address: 350 California Street, 10th Floor, San Francisco, CA 94104, U.S.A.
Routing Number: [*]
Account nº [*]

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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.

(F) 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(F) will be included in the next quarterly invoice.

(G) 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 [*].

ARTICLE 8
INSPECTION AND ACCEPTANCE

Contractor shall perform the following tests and reviews:

(A) For each Subsystem of the Control Network Facility, Contractor shall conduct a Factory Test Review on each Deliverable Items at Contractor's facilities. Upon successful completion of the Factory Test Review, Contractor shall certify requirements compliance 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 Deliverable Item to the designated delivery place. If Purchaser does not so notify Contractor within two (2) Days, Contractor shall proceed to ship each Deliverable Item to the designated delivery place.

(B) For each Subsystem of the Control Network Facility, an Acceptance Review shall be conducted following full and complete installation and testing of the Deliverable Items in accordance with Exhibit A. Contractor and Purchaser shall, within two (2) Days after the successful completion of Acceptance Review, certify in writing on a form, mutually agreed, that acceptance of the Deliverable Items has occurred. If Purchaser fails to reject or certify acceptance within such two (2) Days after the successful completion of Acceptance Review, acceptance of the Deliverable Items shall be deemed to have occurred.

If a Deliverable Item is non-conforming to the specifications defined in applicable Exhibit B1 to B3, 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 Acceptance Review, if necessary, acceptable to Purchaser, acceptance shall be deemed to have occurred.

(C) A Control Network Facility Acceptance Review shall be conducted following completion of all Subsystem Acceptance Reviews referred to in Article 8(B) in accordance with Exhibit A. Contractor and Purchaser shall, within two (2) Days after the successful completion of Control Network Facility Acceptance Review, certify in writing on a form, mutually agreed, that Final Acceptance of the Control Network Facility has occurred. If Purchaser fails to reject or certify acceptance within such two (2) Days after the successful completion of Control Network Facility Acceptance Review, Final Acceptance of the Control Network Facility shall be deemed to have occurred.

If the Control Network Facility is non-conforming to the specifications defined in Exhibit B1 to B3, 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 Control Network Facility Acceptance Review, if necessary, acceptable to Purchaser, Final Acceptance shall be deemed to have occurred.

(D) Upon completion of a Milestone Event, 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 two (2) 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, risk of loss for Deliverable Items shall pass from Contractor to Purchaser upon Delivery to the Delivery Place set forth in Article 6. Title to Deliverable Items shall pass from Contractor to Purchaser upon Final Acceptance thereof.

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 Deliverable Items 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 Deliverable Items.

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 2 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. 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 of the Satellite Contract 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) 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.

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

ARTICLE 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 of the Satellite Contract), by any Deliverable Item 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 Deliverable Item 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 Deliverable Item, or part thereof, or (ii) replace or modify such Deliverable Item, 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 Deliverable Item, part thereof or process practiced therein with any other item or part not furnished to Purchaser by Contractor unless such Deliverable Item, part or process furnished by Contractor contributorily infringes, or (ii) the modification of such Deliverable Item, 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 of the Satellite Contract.

(D) Contractor's total liability to Purchaser under this Article 15 shall not exceed 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) 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 THE GLOBALSTAR SYSTEM TO OPERATE SATISFACTORILY.

(C) IN NO EVENT SHALL PURCHASER BE LIABLE TO CONTRACTOR OR ITS SUBCONTRACTORS 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. THE FOREGOING EXCLUSION SHALL APPLY WHETHER OR NOT FORESEEABLE OR EVEN IF PURCHASER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

(D) 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.

(E) NOTWITHSTANDING ANY OTHER LANGUAGE IN THIS CONTRACT TO THE CONTRARY, CONTRACTOR'S TOTAL LIABILITY TO PURCHASER SHALL NOT EXCEED THE TOTAL PRICE. NOTWITHSTANDING ANY OTHER LANGUAGE IN THIS CONTRACT TO THE CONTRARY, PURCHASER'S TOTAL LIABILITY TO CONTRACTOR SHALL NOT EXCEED THE TOTAL PRICE 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 the affected remaining Work 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 Deliverable Items 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 Deliverable Items which damages are intended to be compensatory, not a penalty and are in lieu of actual damages incurred by the Purchaser.

(B) In the event Contractor has not successfully completed the Control Network Facility Acceptance Review on or before the sixtieth (60th) Day after the due date as set forth in Section 2.7 of Exhibit A, then for each Day thereafter until completion of the Satellite Control Network Acceptance Review, Contractor agrees to pay Purchaser, as liquidated damages, [*] of the price of the Deliverable Item as set forth in Article 4 which caused the delay, up to a maximum of [*] of the price of the delayed Deliverable Item.

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

(D) 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 Delivery is due to any cause referred to in Article 17; or

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

(iii) if the delay is due to a cause or causes attributable to the Purchaser.

(E) 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 2.2 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 Deliverable Items, 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 identified during the Subsystems Acceptance Review of any of the Deliverable Item, in accordance with the Contract; or

(ii) Contractor fails to satisfactorily complete the Control Network Facility Acceptance Review on or before six (6) months after the due date as set forth in Article 18(B).

After Purchaser issues a Default Notice in connection with any of the circumstances in Article 20(A)(i), Contractor shall within thirty (30) 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 Control Network Facility Acceptance Review will be completed within the time specified in Article 18(B) plus six (6) 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 Control Network Facility Acceptance Review being completed within the time specified in Article 18(B) plus six (6) 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 Deliverable Items 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.

ARTICLE 21
TERMINATION FOR CONVENIENCE

(A) Purchaser, by written notice to Contractor to be effective three (3) 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 C for the two (2) quarters following the date of notice as set forth in Article 21(A). 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.

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 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 make any payment 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)(iii) shall apply.

If Purchaser makes any payment 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 fails to perform any material obligations (other than those expressed in Article 22(B)(i)), 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)(iii) 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).

(iii) 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 C for two (2) quarters following the date of termination notice.

(iv) 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)(iv) 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 the Deliverable Items shall be free from material defects in materials and workmanship and will conform to the requirements in Exhibit B1 to B3. This warranty shall start upon the date of Final Acceptance of the Control Network Facility and shall run for a period of one (1) year. The scope of this warranty is as set forth herein.

(B) 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. Repair of defective parts shall take place at the Contractor's facilities, or at any local supplier's facility specified by the Contractor.

The ownership to parts replaced shall pass to the Purchaser upon delivery of the replacements to the Delivery Place. Transportation and insurance costs for defective parts returned to the Contractor shall be at Purchaser's charge and transportation and insurance costs for parts replaced or repaired by the Contractor shall be at the Contractor's charge.

In the event that an on-site intervention is needed (e.g. fault cannot be located remotely by the Contractor, or failure of a non replaceable unit), the Contractor shall send a maintenance expert on site at no additional cost for the Purchaser.

Labor costs, travel, board and lodging of installation personnel relating to the reinstallation of repaired or replaced part under the above warranty shall be borne by Purchaser. The Contractor reserves the right to supply, at a price to be agreed upon, replacement parts which will give equivalent performance without being identical to the parts replaced.

(C) The Contractor undertakes to correct any reproducible error or omission on a software reported by Purchaser during the warranty period. Contractor will undertake for the warranty period to correct or bypass, pursuant to its own standards, all reproducible malfunctions or anomalies in a software within a reasonable period of time depending on the severity of the problem. This warranty is strictly limited to a software (or features) delivered under this Contract and does not extend any existing warranty on software (or features) currently installed in the Purchaser's facilities. The Purchaser should notify Contractor of the defects in writing within fifteen (15) Days after the defects are discovered. The Purchaser shall also provide an accurate description of the conditions under which the software defect occurred, including without limitation the conditions prevailing during the most recent operation of the software.

The above warranties do not extend to any modification on software which is undertaken by the Purchaser or a third party and which is not authorised by Contractor, any malfunction which appears because of modifications of the interface conditions or use of a software which is not contemplated in the Contract.

For any software supplied under license from third parties, the rights and guarantees given are those which Contractor is authorised to provide to its customers.

(D) The remedy under this Article 24 shall not apply 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.

(E) 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) Bill Gregg 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 respect to the SOCC and TCU Subsystems and [*] is assigned as Contractor's Program Manager with respect to the IOTE Subsystem, 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 C), 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
26, avenue Jean François Champollion
31037 Toulouse Cedex France
Tel: [*]
Email: [*]

All technical correspondence to Contractor with respect to SOCC and TCU Subsystems will be addressed to:

[*]
Alcatel Alenia Space France

100 Boulevard du midi—B.P 99
06156 Cannes la Bocca Cedex France
Tel: [*]
Email: [*]

All technical correspondence to Contractor with respect to IOTE Subsystem will be addressed to:

[*]
Alcatel Alenia Space France
26, avenue Jean François Champollion
31037 Toulouse Cedex France
Tel: [*]
Email: [*]

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

(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 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, which will allow Purchaser to be directly involved in matters related to some or all Licensed Items.

ARTICLE 28
RESERVED

ARTICLE 29
OPTIONS

(A) Annual Maintenance Support:Purchaser shall have the option to order Annual Maintenance Support from Contractor, starting after the one year warranty expires, renewable on an annual basis for up to 15 years. The price for such support will be negotiated in good faith between the Parties upon request from Purchaser.

(B) Support Services: In addition to support services included in this Contract as set forth in Section 5 of Exhibit A, Purchaser shall have the option to order additional support services on a time and material basis. The price for such support will be negotiated in good faith between the Parties upon request from Purchaser.

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 SOCC and TCU	[*]
Program Manager IOTE	[*]

(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 Deliverable Items after Final Acceptance, 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 purposes.

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.

ARTICLE 32
EFFECTIVE DATE OF CONTRACT

(A) The effective date of this contract (the "EDC") shall be April 1st, 2007 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 C has been credited to the Contractor's bank account.

(B) If by April 15th, 2007, 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.

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 significant 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)(iii) 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/ Dimitri Savescu
Name:	James Monroe III	Name:	Dimitri Savescu
Title:	Chief Executive Officer	Title:	Senior Vice President Industrial Unit Ground
Date:	March 22, 2007	Date:	March 22, 2007

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: May 15, 2007

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: May 15, 2007

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 March 31, 2007 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 15, 2007

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

Dated: May 15, 2007

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