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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2008

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-33117

**GLOBALSTAR, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**41-2116508**

(I.R.S. Employer Identification No.)

**461 South Milpitas Blvd.**

**Milpitas, California 95035**

(Address of principal executive offices and zip code)

**(408) 933-4000**

Registrant's telephone number, including area code

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting  
company)

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

Indicate the number of shares outstanding of each of the issuer's classes of Common Stock, as of the latest practicable date. As of May 6, 2008, there were 112,134,523 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 per share data)  
(Unaudited)

	Three Months Ended	
	March 31, 2008	March 31, 2007
<b>Revenue:</b>		
Service revenue	\$ 16,010	\$ 17,466
Subscriber equipment sales	6,124	5,688
Total revenue	<u>22,134</u>	<u>23,154</u>
<b>Operating expenses:</b>		
Cost of services (exclusive of depreciation and amortization shown separately below)	7,475	6,383
Cost of subscriber equipment sales	5,045	3,451
Marketing, general, and administrative	15,748	11,482
Depreciation and amortization	5,418	2,424
Total operating expenses	<u>33,686</u>	<u>23,740</u>
Operating (loss)	<u>(11,552)</u>	<u>(586)</u>
<b>Other income (expense):</b>		
Interest income	1,368	828
Interest expense	(997)	(311)
Interest rate derivative loss	(3,539)	(364)
Other	8,251	1,234
Total other income (expense)	<u>5,083</u>	<u>1,387</u>
Income (loss) before income taxes	<u>(6,469)</u>	<u>801</u>
Income tax expense	166	357
Net income (loss)	<u>\$ (6,635)</u>	<u>\$ 444</u>
<b>Earnings (loss) per common share:</b>		
Basic	\$ (0.08)	\$ 0.01
Diluted	\$ (0.08)	\$ 0.01
<b>Weighted-average shares outstanding:</b>		
Basic	82,448	73,652
Diluted	82,448	73,746

See accompanying notes to unaudited interim consolidated financial statements.

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

	March 31, 2008	December 31, 2007
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 14,466	\$ 37,554
Accounts receivable, net of allowance of \$4,855 (2008) and \$4,177 (2007)	13,070	12,399
Inventory	57,914	54,939
Advances for inventory	9,588	9,769
Deferred tax assets	1,230	1,257
Prepaid expenses and other current assets	7,813	3,262
Total current assets	<u>104,081</u>	<u>119,180</u>
Property and equipment:		
Spare satellites and launch costs	32,118	47,848
Second-generation satellites	242,332	147,998
Globalstar System, net	102,428	84,939
Other property and equipment, net	11,942	9,318
	<u>388,820</u>	<u>290,103</u>
Other assets:		
Restricted cash	135,718	80,871
Deferred tax assets	20,252	20,303
Other assets, net	7,808	2,518
Total assets	<u>\$ 656,679</u>	<u>\$ 512,975</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 19,378	\$ 8,400
Accrued expenses	23,491	17,650
Payables to affiliates	1,286	1,487
Deferred revenue	18,987	19,396
Total current liabilities	<u>63,142</u>	<u>46,933</u>
Borrowings under revolving credit facility	50,000	50,000
Long term debt	100,000	—
Employee benefit obligations, net of current portion	1,636	1,779
Other non-current liabilities	34,980	8,719
Total non-current liabilities	<u>186,616</u>	<u>60,498</u>
Ownership equity:		
Preferred Stock, \$0.0001 par value; 100,000 shares authorized, issued and outstanding — none	—	—
Common Stock, \$0.0001 par value; 800,000 shares authorized, 85,200 shares issued and outstanding at March 31, 2008 and 83,693 shares issued and outstanding at December 31, 2007	9	8
Additional paid-in capital	417,619	407,743
Accumulated other comprehensive income	1,546	3,411
Retained deficit	(12,253)	(5,618)
Total ownership equity	<u>406,921</u>	<u>405,544</u>
Total liabilities and shareholders' equity	<u>\$ 656,679</u>	<u>\$ 512,975</u>

See accompanying notes to unaudited interim consolidated financial statements.

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

	Three Months Ended	
	March 31, 2008	March 31, 2007
Cash flows from operating activities:		
Net income (loss)	\$ (6,635)	\$ 444
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Deferred income taxes	—	387
Depreciation and amortization	5,418	2,424
Interest rate derivative loss	3,539	364
Stock-based compensation expense	3,681	245
Loss (gain) on disposal of fixed assets	80	(138)
Provision for bad debts	812	792
Interest income on restricted cash	(1,223)	(469)
Contribution of services	112	87
Amortization of deferred financing costs	4	111
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(1,429)	1,980
Inventory	(5,177)	(10,715)
Advances for inventory	(217)	1,958
Prepaid expenses and other current assets	588	64
Other assets	7	247
Accounts payable	(198)	(8,931)
Payables to affiliates	(336)	(2,955)
Accrued expenses and employee benefit obligations	(495)	(2,923)
Deferred revenue	(111)	(628)
Net cash from operating activities	<u>(1,580)</u>	<u>(17,656)</u>
Cash flows from investing activities:		
Spare and second-generation satellites and launch costs	(67,499)	(29,482)
Property and equipment additions	(2,660)	(786)
Proceeds from sale of property and equipment	146	263
Cash acquired on purchase of subsidiary	1,839	—
Restricted Cash	(41,148)	—
Net cash from investing activities	<u>(109,322)</u>	<u>(30,005)</u>
Cash flows from financing activities:		
Borrowings of long-term debt	100,000	—
Proceeds from Thermo Funding under the irrevocable standby stock purchase agreement	—	24,255
Deferred financing cost payments	—	(500)
Payments related to derivative margin account	(4,000)	—
Net cash from financing activities	<u>96,000</u>	<u>23,755</u>
Effect of exchange rate changes on cash	(8,186)	(373)
Net decrease in cash and cash equivalents	(23,088)	(24,279)
Cash and cash equivalents, beginning of period	37,554	43,698
Cash and cash equivalents, end of period	<u>\$ 14,466</u>	<u>\$ 19,419</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	\$ 1,646	\$ 282
Income taxes	\$ 56	\$ 50
Supplemental disclosure of non-cash financing and investing activities:		
Conversion of redeemable Common Stock to Common Stock	\$ —	\$ 1,249
Accrued launch costs and second-generation satellites costs	\$ 28,687	\$ 4,422
Capitalization of interest for spare and second-generation satellites and launch costs	\$ 1,862	\$ —
Fair value of assets acquired on purchase of subsidiary	\$ 19,928	\$ —
Fair value of liabilities assumed on purchase of subsidiary	\$ 13,211	\$ —

See accompanying notes to unaudited interim consolidated financial statements.

## GLOBALSTAR, INC.

### NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

##### *Nature of Operations*

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

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

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

##### *Basis of Presentation*

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. These unaudited interim consolidated financial statements include the accounts of Globalstar and its majority owned or otherwise controlled subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. In the opinion of management, such information includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company's consolidated financial position, results of operations, and cash flows for the periods presented. The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the full year or any future period. Globalstar's results of operations are subject to seasonal usage changes. The months of April through October are typically peak months for service revenues and equipment sales. Government customers in North America tend to use Globalstar's services during summer months, often in support of relief activities after events such as hurricanes, forest fires and other natural disasters.

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

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

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

Other income (expense) includes foreign exchange transaction gains of \$8.2 million and \$1.2 million for the three months ended March 31, 2008 and 2007, respectively.

## Recent Accounting Pronouncements

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

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

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

## 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 shares of Common Stock outstanding during the period. Common Stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive.

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

	Three Months Ended March 31, 2008			Three Months Ended March 31, 2007		
	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount
<b>Basic earnings (loss) per common share</b>						
Net income (loss)	\$ (6,635)	82,448	\$ (0.08)	\$ 444	73,652	\$ 0.01
<b>Effect of Dilutive Securities</b>						
Stock Options to Director		—			93	
Unvested restricted stock		—			1	
<b>Diluted earnings (loss) per common share</b>	\$ (6,635)	82,448	\$ (0.08)	\$ 444	73,746	\$ 0.01

For the three months ended March 31, 2008, diluted net loss per share of Common Stock is the same as basic net loss per share of Common Stock, because the effects of potentially dilutive securities are anti-dilutive.

### Note 3: Acquisitions

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

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

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

### Note 4: Property and Equipment

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

	<b>March 31, 2008</b>	<b>December 31, 2007</b>
Globalstar System:		
Space segment	\$ 100,868	\$ 85,142
Ground segment	27,801	21,530
Second-generation satellites	242,332	147,998
Spare satellites and launch costs	32,118	47,848
Furniture and office equipment	14,964	14,417
Land and buildings	3,082	2,478
Leasehold improvements	711	717
Construction in progress	3,182	1,132
	425,058	321,262
Accumulated depreciation	(36,238)	(31,159)
	\$ 388,820	\$ 290,103

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

On November 30, 2006, the Company entered into a contract with Thales Alenia Space (formerly known as Alcatel Alenia Space France) to construct 48 low-earth orbit satellites. The total contract price, including subsequent additions is approximately €667.6 million (approximately \$1,006.5 million at a weighted average conversion rate of €1.00 = \$1.5076 at March 31, 2008) including approximately €146.3 million which will be paid by the Company in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940. The contract requires Thales Alenia Space to commence delivery of satellites in the third quarter of 2009, with deliveries continuing until 2013 unless Globalstar elects to accelerate delivery. At March 31, 2008,

\$126.0 million was held in escrow to secure the Company's payment obligations related to its contract for the construction of its second-generation satellite constellation. Funds that the Company deposits into the escrow account to support this contract will be used to make payments under this contract in the future. At the Company's request, Thales Alenia Space has presented a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$10.6 million to \$21.2 million at € 1.00 = \$1.5800). In 2007, the Company authorized the first two portions of the Thales' four-part sequential plan with an additional cost of €4.1 million (\$6.5 million at €1.00 = \$1.5800). The Company cannot provide assurances that any of the remaining acceleration will occur.

In March 2007, the Company and Thales Alenia Space entered into an agreement for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the "Control Network Facility") for the Company's second-generation satellite constellation. This agreement complements the second-generation satellite construction contract between Globalstar and Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.0 million (approximately \$13.5 million at a weighted average conversion rate of €1.00 = \$1.4965) consisting of €4.0 million for the Satellite Operations Control Centers, €3.0 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. Globalstar has the option to terminate the contract if excusable delays affecting Thales Alenia Space's ability to perform the contract total six consecutive months or at its convenience. If Globalstar terminates the contract, it must pay Thales Alenia Space the lesser of its unpaid costs for work performed by Thales Alenia Space and its subcontractors or payments for the next two quarters following termination. If Thales Alenia Space has not completed the Control Network Facility acceptance review within 60 days of the due date, Globalstar will be entitled to certain liquidated damages. Failure to complete the Control Network Facility acceptance review on or before six months after the due date results in a default by Thales Alenia Space, entitling Globalstar to a refund of all payments, except for liquidated damage amounts previously paid or with respect to items where final delivery has occurred. The Control Network Facility, when accepted, will be covered by a limited one-year warranty. The contract contains customary arbitration and indemnification provisions.

On September 5, 2007, the Company and Arianespace entered into an agreement for the launch of the Company's second-generation satellites and certain pre and post-launch services. Pursuant to the agreement, Arianespace will make four launches of six satellites each, and the Company has the option to require Arianespace to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.0 million. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Capital Expenditures" for a schedule of the payments to Arianespace. The anticipated time period for the first four launches ranges from the third quarter of 2009 through the end of 2010 and the optional launches are available from spring 2010 through the end of 2014. Prolonged delays due to postponements by the Company or Arianespace may result in adjustments to the payment schedule.

To augment its existing satellite constellation, the Company successfully launched eight spare satellites in two separate launches of four satellites each on May 29, 2007 and October 21, 2007. The Company no longer has any spare satellites remaining to be launched. As of March 31, 2008, six of the eight spare satellites had been placed into service and were handling call traffic. The remaining two spare satellites are being placed into their desired orbital planes.

As of March 31, 2008, capitalized interest recorded was \$3.9 million. Interest capitalized during the three months ended March 31, 2008 was \$2.9 million. There was no interest capitalized during the three months ended March 31, 2007. Depreciation expense for the three months ended March 31, 2008 and 2007 was \$5.4 million and \$2.4 million, respectively.

#### Note 5: Payables to Affiliates

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

	<u>March 31, 2008</u>	<u>December 31, 2007</u>
QUALCOMM	\$ 1,136	\$ 1,286
Thermo Capital Partners	150	201
	<u>\$ 1,286</u>	<u>\$ 1,487</u>

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the three months ended March 31, 2008 and 2007, total expenses were approximately \$29,000 and \$0,

respectively. For the three months ended March 31, 2008 and 2007, the Company also recorded approximately \$112,000 and \$87,000, respectively, of non-cash expenses related to services provided by two executive officers of Thermo and Globalstar who receive no compensation from Globalstar, which were accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts incurred or upon allocated employee time. Management believes the allocations are reasonable.

**Note 6: Other Related Party Transactions**

Since 2005, Globalstar issued separate purchase orders for additional phone equipment and accessories under the terms of previously executed commercial agreements with QUALCOMM. Within the terms of the commercial agreements, the Company paid QUALCOMM approximately 7.5% to 25% of the total order as advances for inventory. As of March 31, 2008 and December 31, 2007, total advances to QUALCOMM for inventory were \$9.6 million and \$9.7 million, respectively. As of March 31, 2008 and December 31, 2007, the Company had outstanding commitment balances of approximately \$54.8 million and \$57.0 million, respectively.

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

On August 16, 2006, the Company entered into an amended and restated credit agreement with Wachovia Investment Holdings, LLC, as administrative agent and swingline lender, and Wachovia Bank, National Association, as issuing lender, which was subsequently amended on September 29 and October 26, 2006. On December 17, 2007, Thermo Funding was assigned all the rights (except indemnification rights) and assumed all the obligations of the administrative agent and the lenders under the amended and restated credit agreement and the credit agreement was again amended and restated. The credit agreement as currently in effect provides for a \$50.0 million revolving credit facility and a \$100.0 million delayed draw term loan facility. As of March 31, 2008, the Company has drawn an aggregate of \$50.0 million of the revolving credit facility and \$100.0 million of the delayed draw term loan facility. As of December 31, 2007, the Company had drawn \$50.0 million of the revolving credit facility.

All loans will mature on December 31, 2012. Revolving credit loans bear interest at LIBOR plus 4.25% to 4.75% or the greater of the prime rate or Federal Funds rate plus 3.25% to 3.75%. The delayed draw term loan bears interest at LIBOR plus 6.0% or the greater of the prime rate of Federal Funds rate plus 5.0% and the delayed draw term loan facility bears an annual commitment fee of 2.0% until drawn or terminated. Commitment fees related to the loans, incurred during the three months ended March 31, 2008 and 2007 were \$0.2 million and \$0.6 million, respectively. The revolving credit loan facility bears an annual commitment fee of 0.5% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. To hedge a portion of the interest rate risk with respect to the delayed draw term loan the Company entered into a five-year interest rate swap agreement. The loans may be prepaid without penalty at any time.

**Purchases and other transactions with Affiliates**

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

	Three months ended	
	2008	March 31, 2007
QUALCOMM	\$ 2,881	\$ 12,957
Other affiliates	1,465	1,903
<b>Total</b>	<b>\$ 4,346</b>	<b>\$ 14,860</b>

## Note 7: Income Taxes

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

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

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

## Note 8: Comprehensive Income

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

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

	Three months ended	
	March 31,	
	2008	2007
Net income (loss)	\$ (6,635)	\$ 444
Other comprehensive income:		
Foreign currency translation adjustments	(1,865)	(190)
Total comprehensive income (loss)	\$ (8,500)	\$ 254

## Note 9: Equity Incentive Plan

The Company’s 2006 Equity Incentive Plan (the “Equity Plan”) is a broad based, long term retention program intended to attract and retain talented employees and align stockholder and employee interests. Approximately 765,000 restricted stock awards and restricted stock units (including grants to both employees and executives) were granted during the three months ended March 31, 2008. In January 2008, the Company’s Board of Directors approved the inclusion of an additional 1,673,858 shares of the Company’s Common Stock in the shares available for issuance under the Equity Plan.

## Note 10: Litigation

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

On February 9, 2007, the first of three purported class action lawsuits was filed against the Company, its Chief Executive Officer (“CEO”) and its Chief Financial Officer (“CFO”) in the United States District Court for the Southern District of New York alleging that the Company’s registration statement related to its initial public offering (“IPO”) in November 2006 contained material misstatements and omissions. The Court consolidated the three cases as *Ladmen Partners, Inc. v. Globalstar, Inc., et al.*, Case No. 1:07-CV-0976 (LAP), and appointed Connecticut Laborers’ Pension Fund as lead plaintiff. On August 15, 2007, the lead plaintiff filed its Securities Class Action Consolidated Amended Complaint reasserting claims against the Company and the Company’s CEO and CFO, and adding as defendants the three co-lead underwriters of the IPO, Wachovia Capital Markets, LLC, JPMorgan Securities, Inc. and Jefferies & Company, Inc. On November 15, 2007, plaintiffs

filed a Second Amended Complaint. That complaint, which is what is currently before the Court, cites a drop in the trading price of the Company's Common Stock that followed its filing, on February 5, 2007, of a Current Report on Form 8-K relating in part to changes in the condition of its satellite constellation. It seeks, on behalf of a class of purchasers of the Company's Common Stock who purchased shares in the IPO, recovery of damages under Sections 11 and 15 of the Securities Act of 1933, and rescission under Section 12(a)(2) of the Securities Act of 1933. On February 15, 2008, all of the Defendants filed motions to dismiss the Second Amended Complaint. The Plaintiff's response to these motions was filed on April 15, 2008, and Defendants' reply memorandum is due May 15, 2008. The Company intends to defend the matter vigorously.

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

On April 24, 2007, Mr. Jean-Pierre Barrette filed a motion for Authorization to Institute a Class Action in Quebec, Canada, Superior Court against Globalstar Canada. Mr. Barrette asserts claims based on Quebec law related to his alleged problems with Globalstar Canada's service. The Company moved to disqualify Mr. Barrette because of his association with the law firm representing plaintiffs and to transfer the case to the district of Montreal. The court recently granted the Company's motion for a change of venue, and plaintiff's counsel substituted a new designated representative of the purported class.

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

#### Note 11: Geographic Information

Revenue by geographic location, presented net of eliminations for intercompany sales, was as follows for the three months ended March 31, 2008 and 2007 (in thousands):

	Three months ended	
	March 31,	
	2008	2007
Service:		
United States	\$ 8,330	\$ 9,047
Canada	5,771	6,463
Europe	1,045	946
Central and South America	657	710
Others	207	300
Total service revenue	16,010	17,466
Subscriber equipment:		
United States	2,545	3,149
Canada	2,328	1,444
Europe	831	842
Central and South America	385	216
Others	35	37
Total subscriber equipment revenue	6,124	5,688
Total revenue	\$ 22,134	\$ 23,154

## Note 12: Interest Rate Derivative

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

(In Thousands)	December 31, 2007	Fair Value Measurements at March 31, 2008 using			Total Balance
		Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Other non-current liabilities:					
Interest rate derivative	\$ 5,949	\$ —	\$ 9,488	\$ —	\$ 9,488
Total non-current liabilities measured at fair value	\$ 5,949	\$ —	\$ 9,488	\$ —	\$ 9,488

The decline in fair value for the three months ended March 31, 2008 and 2007, of approximately \$3.5 million and \$0.4 million, respectively, was charged to "Interest rate derivative loss" in the accompanying Consolidated Statements of Income.

## Note 13: Subsequent Events

### Convertible Notes Offering

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

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

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

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

Except for the pledge of the escrow account under the Pledge Agreement, the Notes are senior unsecured debt obligations of the Company. There is no sinking fund for the Notes. The Notes mature on April 1, 2028 and bear interest at a

rate of 5.75% per annum. Interest on the Notes is payable semi-annually in arrears on April 1 and October 1 of each year, commencing October 1, 2008, to holders of record on the preceding March 15 and September 15, respectively.

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

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

Holders who convert their Notes in connection with certain events occurring on or prior to April 1, 2013 constituting a "make whole fundamental change" (as defined in the Indenture) will be entitled to an increase in the conversion rate as specified in the Indenture.

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

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

#### ***Common Stock Offering and Share Lending Agreement***

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

On April 10, 2008, the Company entered into an underwriting agreement (the "Equity Underwriting Agreement") with the Borrower and the Borrowing Agent. Pursuant to and upon the terms of the Share Lending Agreement, the Company will issue and lend to the Borrower up to 36,144,570 shares of Common Stock (the "Borrowed Shares") as a share loan. The Borrowing Agent also is acting as an underwriter (the "Equity Underwriter") with respect to the Borrowed Shares, which are being offered to the public. The Borrowed Shares include 21,936,020 shares of Common Stock initially loaned by the Company to the Borrower pursuant to Section 2(a) of the Underwriting Agreement, 5,000,000 shares of Common Stock loaned by the Company to the Borrower pursuant to a Borrowing Notice dated as of April 15, 2008 delivered pursuant to the Share Lending Agreement and the Underwriting Agreement, and an additional 9,208,550 shares of Common Stock that, from time to time, may be borrowed from the Company by the Borrower pursuant to the Share Lending Agreement and the Underwriting Agreement and subsequently offered and sold at prevailing market prices at the time of sale or negotiated prices.

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

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

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

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

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

#### *Ancillary Terrestrial Component (ATC)*

On April 10, 2008, the United States Federal Communications Commission, or FCC, increased the Company's ATC grant to a total of 19.275 MHz in the Company's two bands. The FCC's order is still subject to petitions for reconsideration and judicial review.

#### *Revolving Credit Facility*

In April 2008, the Company used a portion of the proceeds of the sale of the Notes to repay the \$50.0 million outstanding under its revolving credit facility. The Company anticipates it will re-borrow these funds as needed.

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

### **Forward-Looking Statements**

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

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

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

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

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

## Overview

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

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

- favorable market reaction to new pricing plans with lower service charges;
- awareness of the need for remote communication services;
- increased demand for communication services by disaster and relief agencies and emergency first responders;
- improved voice and data transmission quality; and
- a general reduction in prices of user equipment.

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

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

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

from irradiation of the satellites in orbit caused by the space environment at the altitude that our satellites operate.

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

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

Although the rate of degradation of the S-band antennas has slowed in recent months, we continue to believe that the quality of two-way communication services will continue to decline, and by some time in 2008 substantially all of our satellites launched between 1998 and 2000, but not those satellites launched in 2007, will cease to be able to support two-way communications. Simplex data services, including our new SPOT products and services, will not be affected.

We continue to work on plans, including new products and services and pricing programs to mitigate the effects of reduced service availability upon our customers and operations. Among other things, we requested Thales Alenia Space to present a plan for accelerating delivery of the initial 24 satellites of our second-generation constellation by up to four months. In 2007, we accepted the first two portions of the Thales' four-part sequential plan. See "Part I, Item 1A. Risk Factors—Our satellites have a limited life and some have failed, which causes our network to be compromised and which materially and adversely affects our business, prospects and profitability" in our Annual Report on Form 10-K for the year ended December 31, 2007.

- *Competition and pricing pressures.* We face increased competition from both the expansion of terrestrial-based cellular phone systems and from other mobile satellite service providers. For example, Inmarsat plans to commence offering satellite services to handheld devices in the United States around 2008, and several competitors, such as ICO Global Communications Company, are constructing geostationary satellites that may provide mobile satellite service. Increased numbers of competitors, and the introduction of new services and products by competitors, increases competition for subscribers and pressures all providers, including us, to reduce prices. Increased competition may result in loss of subscribers, decreased revenue, decreased gross margins, higher churn rates, and, ultimately, decreased profitability and cash.
- *Technological changes.* It is difficult for us to respond promptly to major technological innovations by our competitors because substantially modifying or replacing our basic technology, satellites or gateways is time-consuming and very expensive. Approximately 59% of our total assets at March 31, 2008 represented fixed assets. Although we plan to procure and deploy our second-generation satellite constellation and upgrade our gateways and other ground facilities, we may nevertheless become vulnerable to the successful introduction of superior technology by our competitors.
- *Capital expenditures.* We have incurred significant capital expenditures during 2006 and 2007 and we expect to incur additional significant expenditures through 2013 under the following commitments:

We estimate that procuring and deploying our second-generation satellite constellation and upgrading our gateways and other ground facilities will cost approximately \$1.25 billion (exclusive of internal costs and capitalized interest), which we expect will be reflected in capital expenditures through 2013. The following obligations are included in this amount:

In November, 2006, we entered into a contract with Thales Alenia Space for the construction of our second-generation constellation. The total contract price, including subsequent additions, will be approximately €667.6 million (approximately \$1,006.5 million at a weighted average conversion rate of €1.00 = \$1.5076 at March 31, 2008, including approximately €146.3 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940). We have made payments in the aggregate amount of approximately €141.4 million (approximately \$183.6 million) through March 31, 2008 under this contract. At our request, Thales Alenia Space has presented to us a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$10.6 million to \$21.2 million at € 1.00 = \$1.5800). In 2007, we accepted the first two portions of the Thales four-part

sequential acceleration plan with an additional cost of €4.1 million (\$6.5 million at €1.00 = \$1.5800). We cannot provide assurances that any of the remaining acceleration will occur.

In March 2007, we entered into a €9.0 million (approximately \$13.5 million at a weighted average conversion rate of €1.00 = \$1.4965) agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the “Control Network Facility”) for our second-generation satellite constellation. We have made payments under this contract in the aggregate amount of approximately €2.9 million (approximately \$3.9 million) through March 31, 2008.

In September, 2007, we entered into a contract with Arianespace (our “Launch Provider”) for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.0 million. We have made payments under this contract in the aggregate amount of approximately \$18.4 million through March 31, 2008.

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

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

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

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

- SPOT Satellite Messenger Addressable Market

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

- SPOT Satellite Messenger Pricing

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

- SPOT Satellite Messenger Distribution

We are distributing and selling our new SPOT satellite messenger through a variety of existing and new distribution channels. We have signed distribution agreements with a number of “Big Box” retailers and other similar distribution channels including Amazon.com, Bass Pro Shops, Best Buy Canada, Big 5 Sporting Goods, Big Rock Sports, Boater’s World, Cabela’s, Campmor, Joe’s Sport, London Drug, Outdoor and More, Gander Mountain, REI, Sportsman’s Warehouse, The Source by Circuit City dealers, Wal-Mart.com,

West Marine, DBL Distribution, D.H. Distributions, and CWR Electronics. Our objective is to sell SPOT satellite messenger products through approximately 5,000 distribution points by the end of the second quarter of 2008 and 10,000 in 2009. Currently, the SPOT satellite messenger is being sold in over 3,000 distribution points. We also intend to sell directly using our existing sales force into key vertical markets and through our direct e-commerce website ([www.findmespot.com](http://www.findmespot.com)).

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

- *Fluctuations in interest and currency rates.* Debt under our credit agreement bears interest at a floating rate. Therefore, increases in interest rates will increase our interest costs if debt is outstanding. A substantial portion of our revenue (43% for the three months ended March 31, 2008) is denominated in foreign currencies. In addition, a substantial majority of our obligations under the contracts for our second-generation constellation and related control network facility are denominated in Euros. Any decline in the relative value of the U.S. dollar may adversely affect our revenues and increase our capital expenditures. See “Item 3. Quantitative and Qualitative Disclosures about Market Risk” for additional information.
- *Ancillary Terrestrial Component (ATC).* ATC is the integration of a satellite-based service with a terrestrial wireless service resulting in a hybrid mobile satellite service. The ATC network would extend our services to urban areas and inside buildings in both urban and rural areas where satellite services currently are impractical. We believe we are at the forefront of ATC development and are actively working to be among the first market entrants. To that end, we are considering a range of options for rollout of our ATC services. We are exploring selective opportunities with a variety of media and communication companies to capture the full potential of our spectrum and United States ATC license.

On October 31, 2007, we entered into an agreement with Open Range Communications, Inc. that permits Open Range to deploy service in certain rural geographic markets in the United States under our ATC authority. Open Range will use our spectrum to offer dual mode mobile satellite based and terrestrial wireless WiMAX services to over 500 rural American communities. Commercial availability is expected to begin in selected markets in late 2008. The initial term of the agreement of up to 30 years is co-extensive with our ATC authority and is subject to renewal options exercisable by Open Range. Based on Open Range’s business plan used in support of its \$267 million loan under a federally authorized loan program, the fixed and variable payments to be made by Open Range over the initial term of 30 years indicate a maximum value for this agreement between \$0.30 - \$0.40/MHz/POP. Upon the fulfillment of all contingencies, Open Range’s down payment will be \$3.6 million and annual payments in the first six years of the agreement will range from approximately \$1.2 million to \$10.3 million, assuming Open Range has the ability to use all of the licensed spectrum covered by the agreement. The amount of the payments made to us will depend on a number of factors, including the eventual geographic coverage of and the number of customers on the Open Range system. We have also agreed to make a \$5.0 million preferred equity investment in Open Range, \$1.0 million of which was made on November 1, 2007. Under the agreement Open Range will have the right to use our spectrum within the United States in the 1.6 and 2.4 MHz bands to provide terrestrial wireless broadband services. Open Range will deploy portable broadband services via a WiMAX architecture within the targeted communities. In addition, Open Range has an option to expand this relationship over the next six years. The agreement is contingent on various conditions, including receiving authority from the FCC to use an expanded portion of our licensed spectrum for ATC services and such other FCC and other governmental approvals as may be required for the agreement, and Open Range’s completion of its equity and debt financing. In March 2008, Open Range secured approval for a \$267 million broadband loan from the Department of Agriculture’s Rural Utilities Program.

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

On April 10, 2008, the FCC increased our ATC grant to a total of 19.275 MHz in our two bands. The FCC’s order is still subject to petitions for reconsideration and judicial review. This order was pursuant to a release from the FCC on November 9, 2007 of a Second Order on Reconsideration, Second Report and Order and Notice of Proposed Rulemaking dealing both with our June 2006 petition for rulemaking to expand its ATC-authorized spectrum to greater than 11 MHz and with the current L-band sharing arrangement between

us and Iridium. In the ATC Notice of Proposed Rulemaking (“NPRM”) portion of the decision, the FCC requested comment on whether we should be authorized to provide ATC over an aggregate 19.275 MHz of our licensed spectrum, including the portion of our S-band between 2483.5 and 2495 MHz and in the portion of the L-band that we do not share with Iridium. The FCC did not propose to allow ATC in the 2496-2500 MHz portion of the S-band which we share with the Broadband Radio Service (“BRS”) or the 2495-2496 MHz guard band between our spectrum and that of BRS.

*Service and Subscriber Equipment Sales Revenues.* The table below sets forth amounts and percentages of our revenue by type of service and equipment sales for the three months ended March 31, 2008 and 2007.

	Three Months ended March 31, 2008		Three Months ended March 31, 2007	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue
<b>Service Revenue:</b>				
Mobile	\$ 11,203	51%	\$ 14,017	60%
Fixed	951	4	1,564	7
Data	255	1	393	1
Simplex	879	4	430	2
IGO	860	4	916	4
Other(1)	1,862	8	146	1
<b>Total Service Revenue</b>	<b>16,010</b>	<b>72</b>	<b>17,466</b>	<b>75</b>
<b>Subscriber Equipment Sales:</b>				
Mobile	2,524	11	2,846	13
Fixed	469	2	983	4
Data	2,207	10	294	1
Accessories	924	5	1,565	7
<b>Total Subscriber Equipment Sales</b>	<b>6,124</b>	<b>28</b>	<b>5,688</b>	<b>25</b>
<b>Total Revenue</b>	<b>\$ 22,134</b>	<b>100%</b>	<b>\$ 23,154</b>	<b>100%</b>

(1) Includes engineering services and activation fees

*Operating Income (Loss).* We realized an operating loss of \$11.6 million for the three months ended March 31, 2008 compared to an operating loss of \$0.6 million for the same period in 2007. This decrease can be attributed primarily to lower service revenues and higher depreciation expense, non-cash compensation expense and advertising and marketing expense. Lower service revenue was a result of lower price service plans introduced to maintain our subscriber base despite two-way communication issues affecting our two-way service during the first three months of 2008. The higher depreciation expense resulted from placing six of our recently launched spare satellites into service. The higher advertising expense resulted from the launch of our SPOT satellite messenger product and services.

#### Independent Gateway Acquisition Strategy

Currently, 13 of the 25 gateways in our network are owned and operated by unaffiliated companies, which we call independent gateway operators, some of whom operate more than one gateway. We have no financial interest in these independent gateway operators other than arms' length contracts for wholesale minutes of service. Some of these independent gateway operators have been unable to grow their businesses adequately due in part to limited resources. Old Globalstar initially developed the independent gateway operator acquisition strategy to establish operations in multiple territories with reduced demands on its capital. In addition, there are territories in which for political or other reasons, it is impractical for us to operate directly. We sell services to the independent gateway operators on a wholesale basis and they resell them to their customers on a retail basis.

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

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

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

### **Performance Indicators**

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

- total revenue, which is an indicator of our overall business growth;
- subscriber growth and churn rate, which are both indicators of the satisfaction of our customers;
- retail average monthly revenue per unit, or retail ARPU, which is an indicator of our pricing and ability to obtain effectively long-term, high-value customers. We define retail ARPU as ARPU generated from customers in territories where we own and operate our gateways;
- operating income, which is an indication of our performance;
- earnings before interest, taxes, depreciation and amortization, or EBITDA, which is an indicator of our financial performance; and
- capital expenditures, which are an indicator of future revenue growth potential and cash requirements.

### **Seasonality**

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

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

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

#### ***Revenue Recognition***

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

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

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

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

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

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

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

During the second quarter of 2007, we introduced an unlimited airtime usage service plan (called the Unlimited Loyalty Plan) which allows existing and new customers to use unlimited satellite voice minutes for anytime calls for a fixed monthly fee. The unlimited loyalty plan incorporates a declining monthly price schedule that reduces the fixed monthly fee at the completion of each calendar year through the duration of the customer agreement, which ends on June 30, 2010. Customers have an option to extend their customer agreement by one year at the fixed monthly price. We record revenue for this plan monthly based on a straight line average derived by computing the total fees charged over the term of the customer agreement and dividing it by the number of the months. If a customer cancels prior to the ending date of the customer agreement, the balance in deferred revenue is recognized as revenue. At March 31, 2008 and December 31, 2007, our deferred revenue aggregated approximately \$20.2 million (with \$1.2 million included in non-current liabilities) and \$20.4 million (with \$1.0 million included in non-current liabilities), respectively.

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

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

### ***Inventory***

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

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

Our Globalstar System assets include costs for the design, manufacture, test and launch of a constellation of low earth orbit satellites, including satellites previously held as ground spares which we launched in May and October 2007, which we refer to as the space segment, and primary and backup terrestrial control centers and gateways, which we refer to as the

ground segment. Loss from an in-orbit failure of a satellite is recognized as an expense in the period it is determined that the satellite is not recoverable.

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.

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

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

#### ***Income Taxes***

Until January 1, 2006, we were treated as a partnership for U.S. tax purposes. Generally, our taxable income or loss, deductions and credits were passed through to our members. We did have some corporate subsidiaries that required a tax provision or benefit using the asset and liability method of accounting for income taxes as prescribed by Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). Effective January 1, 2006, we elected to be taxed as a C corporation in the United States. When an enterprise changes its tax status from non-taxable to taxable, under SFAS No. 109 the effect of recognizing deferred tax assets and liabilities is included in income from continuing operations in the period of change. As a result, we recognized a gross deferred tax asset of \$204.2 million and a gross deferred tax liability of \$0.1 million on January 1, 2006. SFAS No. 109 also requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. In evaluating the need for a valuation allowance, we take into account various factors including the expected level of future taxable income and available tax planning strategies. We determined that it was more likely than not that we would not recognize the entire deferred tax asset; therefore, we established a valuation allowance of \$182.7 million, resulting in recognition of a net deferred tax benefit of \$21.4 million. We monitor the situation to ensure that, if and when we are more likely than not to be able to utilize more of the deferred tax asset, we will be able to reduce the valuation allowance accordingly. On January 1, 2007, we adopted Financial Accounting Standards Board Interpretation No. 48 "Accounting for Uncertainty in Income Taxes" ("FIN 48"). See Note 7 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. The eight spare satellites were launched successfully in two separate launches of four satellites each in May 2007 and October 2007. Depreciation of these assets begins when the satellites are placed in service and begin to handle call traffic. As of March 31, 2008, six of the eight satellites are in service. As of March 31, 2008 and December 31, 2007, the spare satellites not in service were recorded at \$32.1 million and \$47.8 million, respectively. The amount relating to spare satellites that were placed into service during the three months ended March 31, 2008 (approximately \$15.9 million), was classified within the Globalstar System as part of the space segment. These satellites are being depreciated over an estimated useful life of eight years.

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

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

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

### ***Pension Obligations***

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

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

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

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

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

### ***Derivative Instrument***

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

### ***Stock-Based Compensation***

Effective January 1, 2006, as a result of our initial public offering, we adopted the provisions of Statement of Financial Accounting Standards 123(R), "Share-Based Payment" ("SFAS 123(R)"), and related interpretations, or SFAS 123(R), to account for stock-based compensation using the modified prospective transition method and therefore have not restated our prior period results. Among other things, SFAS 123(R) requires that compensation expense be recognized in the financial statements for both employee and non-employee share-based awards based on the grant date fair value of those awards. 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, 2008 and 2007 (in thousands):

	Three months ended		% Change
	March 31,		
	2008	2007	
<b>Revenue:</b>			
Service revenue	\$ 16,010	\$ 17,466	(8)%
Subscriber equipment sales	6,124	5,688	8
Total revenue	22,134	23,154	(4)
<b>Operating expenses:</b>			
Cost of services (exclusive of depreciation and amortization shown separately below)	7,475	6,383	17
Cost of subscriber equipment sales	5,045	3,451	46
Marketing, general and administrative	15,748	11,482	37
Depreciation and amortization	5,418	2,424	124
Total operating expenses	33,686	23,740	42
Operating loss	(11,552)	(586)	1,871
<b>Other income (expense):</b>			
Interest income	1,368	828	65
Interest expense	(997)	(311)	221
Interest rate derivative loss	(3,539)	(364)	872
Other income (expense)	8,251	1,234	569
Total other income (expense)	5,083	1,387	266
Income (loss) before income taxes	(6,469)	801	N/A
Income tax expense	166	357	(54)
Net income (loss)	\$ (6,635)	\$ 444	N/A

**Revenue.** Total revenue decreased by \$1.0 million, or approximately 4%, to \$22.1 million for the three months ended March 31, 2008, from \$23.2 million for the three months ended March 31, 2007. This decrease is attributable primarily to lower service revenue which, we believe, stems from lower price service plans introduced in order to maintain our subscriber base despite our two-way communication issues. This resulted in a reduction in our retail ARPU during the three months ended March 31, 2008, which decreased by 11% to \$38.14 from \$42.71 for the three months ended March 31, 2007.

**Service Revenue.** Service revenue decreased \$1.5 million, or approximately 8%, to \$16.0 million for the three months ended March 31, 2008, from \$17.5 million for the three months ended March 31, 2007. Although our subscriber base grew 8% to approximately 293,300 (including retail subscribers and those served through independent gateways) over the twelve-month period from March 31, 2007 to March 31, 2008, we experienced decreased retail ARPU. At March 31, 2008, approximately 40% of the number of our subscribers consisted of retail subscribers. We believe that the two-way communication issues we first reported in February 2007 and related price reductions were the primary reasons for this reduction.

**Subscriber Equipment Sales.** Subscriber equipment sales increased by \$0.4 million, or approximately 8%, to \$6.1 million for the three months ended March 31, 2008, from \$5.7 million for the three months ended March 31, 2007. This increase is attributable to the sales of our SPOT satellite messenger product.

**Operating Expenses.** Total operating expenses increased \$9.9 million, or approximately 42%, to \$33.7 million for the three months ended March 31, 2008, from \$23.7 million for the three months ended March 31, 2007. This increase was due to costs related to the launch of our new SPOT satellite messenger product and services, higher non-cash stock compensation expense and higher depreciation expense as a result of placing six of our recently launched spare satellites into service. Consistent with higher subscriber equipment sales, higher costs of subscriber equipment also contributed to the increase in operating expenses for the three months ended March 31, 2008.

*Cost of Services.* Our cost of services for the three months ended March 31, 2008 and 2007 were \$7.5 million and \$6.4 million, respectively. Our cost of services is comprised primarily of network operating costs, which are generally fixed in nature. The increase in the cost of services during the three months ended March 31, 2008 is due to higher non-cash executive incentive compensation costs resulting from the change in our Executive Incentive Compensation Plan in August 2007.

*Cost of Subscriber Equipment Sales.* Cost of subscriber equipment sales increased approximately \$1.5 million, or 46%, to \$5.0 million for the three months ended March 31, 2008, from \$3.5 million for the three months ended March 31, 2007. This increase was due primarily to higher equipment sales in the three months ended March 31, 2008 as compared to the same period in 2007 resulting from the introduction of our new SPOT satellite messenger product.

*Marketing, General and Administrative.* Marketing, general and administrative expenses increased approximately \$4.2 million, or 37%, to \$15.7 million for the three months ended March 31, 2008, from \$11.5 million for the three months ended March 31, 2007. This increase was due primarily to higher non-cash executive incentive compensation costs resulting from the change in the Executive Incentive Compensation Plan as well as increased advertising and marketing costs related to the launch of our new SPOT satellite messenger product and service.

*Depreciation and Amortization.* Depreciation and amortization expense increased approximately \$3.0 million, or 124%, to \$5.4 million for the three months ended March 31, 2008, from \$2.4 million for the three months ended March 31, 2007. This increase was due primarily to the additional depreciation associated with placing six of our recently-launched spare satellites into service.

*Operating Loss.* Our operating loss of \$11.6 million for the three months ended March 31, 2008, increased \$11.0 million from an operating loss of \$0.6 million for the three months ended March 31, 2007. The increase was due primarily to lower retail ARPU as a consequence of our two-way communication issues. Additionally, higher non-cash executive incentive compensation, higher advertising and marketing costs and higher depreciation expense associated with placing six of our recently-launched spare satellites into service also contributed to the decrease in our operating income during the three months ended March 31, 2008.

*Interest Income.* Interest income increased by \$0.5 million for the three months ended March 31, 2008. This increase was due to increased cash balances on hand.

*Interest Expense.* Interest expense increased by \$0.7 million, to \$1.0 million for the three months ended March 31, 2008 from \$0.3 million for the three months ended March 31, 2007. This increase was primarily due to higher levels of debt outstanding during the first quarter of 2008.

*Interest Rate Derivative Loss.* Interest rate derivative loss increased by \$3.2 million for the three months ended March 31, 2008 from a loss of \$0.4 million for three months ended March 31, 2007. This increase was due to a decline in the fair value of our interest rate swap agreement.

*Other Income (Expense).* Other income (expense) generally consists of foreign exchange transaction gains and losses. Other income increased by \$7.0 million for the three months ended March 31, 2008 as compared to the same period in 2007 primarily as a result of the favorable exchange rate on the Euro denominated escrow account for our second-generation constellation procurement contract resulting from the decline of the U.S. dollar vis-à-vis the Euro.

*Income Tax Expense.* Income tax expense for the three months ended March 31, 2008 was \$0.2 million compared to \$0.4 million during the same period in 2007. This was due primarily to lower revenues during the three months ended March 31, 2008.

*Net Income (Loss).* Our net income decreased approximately \$7.0 million to a loss of \$6.6 million for the three months ended March 31, 2008, from net income of \$0.4 million for the three months ended March 31, 2007. This decrease was due primarily to the lower retail ARPU as a consequence of our two-way communication issues and higher non-cash executive incentive compensation, advertising, marketing and depreciation expenses during the three months ended March 31, 2008.

## Liquidity and Capital Resources

The following table shows our cash flows from operating, investing, and financing activities for the three months ended March 31, 2008 and 2007:

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Net cash from (used in) operating activities	\$ (1,580)	\$ (17,656)
Net cash from (used in) investing activities	(109,322)	(30,005)
Net cash from financing activities	96,000	23,755
Effect of exchange rate changes on cash	(8,186)	(373)
Net decrease in cash and cash equivalents	<u>\$ (23,088)</u>	<u>\$ (24,279)</u>

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

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

- to make payments to procure our second-generation satellite constellation, construct the Control Network Facility and launch related costs, in a total amount not yet determined, but which will include approximately €118.1 million (approximately \$223.8 million at a weighted average conversion rate of €1.00 = \$1.5240 at March 31, 2008, including approximately €28.8 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940) payable to Thales Alenia Space by March 2009 under the purchase contract for our second-generation satellites. The amount payable to Thales Alenia Space by March 2009 under the contract for construction of the Control Network Facility is approximately €5.7 million (approximately \$9.0 million at €1.00 = \$1.5800); and
- to fund our working capital (\$40.9 million at March 31, 2008, which our management believes is sufficient for our present requirements).

During the three months ended March 31, 2008 and the year ended December 31, 2007, our principal sources of liquidity were:

Dollars in millions	Three Months Ended March 31, 2008	Year Ended December 31, 2007
Cash on-hand at beginning of period	\$ 37.6	\$ 43.7
Borrowings under Thermo Funding credit agreement	\$ 100.0	50.0
Purchase of Common Stock by Thermo Funding	\$ —	\$ 152.7
Cash generated (used) by operations	\$ (1.6)	\$ (7.7)

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

- net proceeds of approximately \$145.6 million from our Convertible Senior Notes offering which closed on April 15, 2008, (\$14.6 million was related to Convertible Senior Notes sold under the over-allotment option which closed on May 8, 2008). Of this amount, approximately \$25.5 million is held in an escrow account which may be used for making the first six semi-annual interest payments on the Convertible Senior Notes;
- cash on hand (\$14.5 million at March 31, 2008); and
- cash in our escrow account, which will be used periodically to pay down our obligation to Thales Alenia Space.

Our principal long-term liquidity needs are:

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

We expect to fund our long-term capital needs with cash flow from operations, which we expect will be generated primarily from sales of our Simplex products and services, including our new SPOT products and services, and, if necessary, the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds. See "Capital Expenditures" below and "Part I, Item 1A. Risk Factors—We must generate significant cash flow from

operations and have to raise additional capital in order to complete our second-generation satellite constellation” in our Annual Report on Form 10-K for the year ended December 31, 2007. See Note 13 to the unaudited interim consolidated financial statements.

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

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

Net cash used by operating activities for the three months ended March 31, 2008 decreased to a cash outflow of \$1.6 million from a cash outflow of \$17.7 million for the three months ended March 31, 2007. This decrease was due primarily to lower inventory purchases during the three months ended March 31, 2008 compared to the three months ended March 31, 2007.

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

Cash used in investing activities was \$109.3 million for the three months ended March 31, 2008, compared to \$30.0 million for the same period in 2007. This increase was the result of higher capital expenditures associated with construction expenses for our second-generation satellite constellation.

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

Net cash provided by financing activities increased by \$72.2 million to \$96.0 million from \$23.8 million for the three months ended March 31, 2008 as compared to the same period in 2007. The increase was primarily the result of \$100.0 million of term loans borrowed from Thermo Funding under our credit agreement in the three months ended March 31, 2008.

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

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

In the fourth quarter of 2006, we entered into a contract with Thales Alenia Space for our second-generation satellite constellation. The total contract price, including subsequent additions, is €667.6 million (approximately \$1,006.5 million at a weighted average conversion rate of €1.00 = \$1.5076 at March 31, 2008, including approximately €146.3 million which will be paid by us in U.S. dollars at a fixed conversion rate of €1.00 = \$1.2940). We have made payments in the amount of approximately \$183.6 million in related costs through March 31, 2008. In addition, \$126.0 million is held in an escrow account that will be used for future payments on this contract. At our request, Thales Alenia Space has presented to us a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately €6.7 million to €13.4 million (\$10.6 million to \$21.2 million at €1.00 = \$1.5800). In 2007, we authorized the first two portions of the Thales four-part sequential plan with an additional cost of €4.1 million (\$6.5 million at €1.00 = \$1.5800). We cannot assure you that any of the remaining acceleration will occur.

In March 2007, we entered into an agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the “Control Network Facility”) for our second-generation satellite constellation. This agreement complements the second-generation satellite construction contract with Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is €9.0 million (approximately \$13.5 million at a weighted average conversion rate of €1.00 = \$1.4965) consisting of

€4.0 million for the Satellite Operations Control Centers, €3.0 million for the Telemetry Command Units and €2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. We have made payments in the aggregate amount of approximately €2.9 million (approximately \$3.9 million) through March 31, 2008.

In September 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is \$210.0 million. As of March 31, 2008, we have made payments in the aggregate amount of approximately \$18.4 million associated with our launch services contract. The anticipated time period for the first four launches ranges from as early as the third quarter of 2009 through the end of 2010 and the optional launches are available from spring 2010 through the end of 2014. Prolonged delays due to postponements by us or our Launch Provider may result in adjustments to the payment schedule.

The total cost for the satellites and launches under these contracts with Thales Alenia Space and our Launch Provider are included in the estimated \$1.25 billion (which is exclusive of internal costs and capitalized interest and the majority of which is denominated in Euros) of capital expenditures which we currently anticipate will be required to procure and deploy our second-generation satellite constellation and related gateway upgrades. Since the fourth quarter of 2006, we have used portions of the proceeds from sales of Common Stock to Thermo Funding under the irrevocable standby stock purchase agreement, the proceeds from our initial public offering and borrowings under our credit agreement to fund the approximately \$363.1 million (excluding internal costs and capitalized interest but including \$126.0 million which is held in escrow pursuant to the contract for the procurement of our second-generation satellite constellation to secure our payment obligations under that contract) paid through March 31, 2008. We expect to fund the balance of the capital expenditures through cash generated by our duplex voice and data services, new SPOT satellite messenger products and services and other Simplex devices and services, proceeds from our Convertible Senior Notes Offering which closed on April 15, 2008, and if necessary, future debt financings, additional equity financings or a combination of these potential sources. The extent of our need for external capital, which we expect to be substantial, will vary depending on the success of our SPOT satellite messenger products and services and other commercial factors. This funding may not be available to us on acceptable terms, or at all.

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

Contract	Currency of Payment	Payments through March 31, 2008	Estimated Future Payments				Total
			2008	2009	2010	Thereafter	
Thales Alenia Second Generation Constellation	EUR	€ 141.4	€ 111.5	€ 94.6	€ 92.3	€ 227.8	€ 667.6
Thales Alenia Satellite Operations Control Centers	EUR	€ 2.9	€ 5.2	€ 0.9	€ 0.0	€ 0.0	€ 9.0
Arianespace Launch Services	USD	\$ 18.4	\$ 23.6	\$ 112.9	\$ 55.1	\$ 0.0	\$ 210.0

The exchange rate on March 31, 2008 was €1.00 = \$1.5800. See “Item 3 - Quantitative and Qualitative Disclosures About Market Risk.”

#### ***Cash Position and Indebtedness***

As of March 31, 2008, our total cash and cash equivalents were \$14.5 million and we had total indebtedness of \$150.0 million, compared to total cash and cash equivalents and total indebtedness at December 31, 2007 of \$37.6 million and \$50.0 million, respectively.

#### ***Credit Agreement***

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

The credit agreement limits the amount of our capital expenditures, requires us to maintain minimum liquidity of \$5.0 million and provides that as of the end of the second full fiscal quarter after we place 24 of our second-generation satellites into service and at the end of each fiscal quarter thereafter, we must maintain a consolidated senior secured leverage ratio of not greater than 5.0 to 1.0. We were in compliance with these debt covenants at March 31, 2008.

All loans will mature on December 31, 2012. Revolving credit loans bear interest at LIBOR plus 4.25% to 4.75% or the greater of the prime rate or the Federal Funds rate plus 3.25% to 3.75%. We had borrowings of \$150.0 million under the revolving credit facility at March 31, 2008. The delayed draw term loan bears interest at LIBOR plus 6.0% or the greater of the prime rate or the Federal Funds rate plus 5.0%, and the delayed draw term loan facility bears an annual commitment fee of 2.0% until drawn or terminated. The revolving credit loan facility bears an annual commitment fee of 0.5% until drawn or terminated. Additional term loans will bear interest at rates to be negotiated. The loans may be prepaid without penalty at any time.

To hedge a portion of the interest rate risk with respect to the delayed draw term loans, we entered into a five-year interest rate swap agreement. See “Note 12: Derivatives” of the Notes to Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report. Upon the assumption of the credit agreement by Thermo Funding, the interest rate swap agreement was amended to require us to provide collateral in cash and securities equal to the negative value of the interest rate swap. At March 31, 2008, the negative value of the interest rate swap was approximately \$9.5 million and was classified as a non-current liability.

#### ***Irrevocable Standby Stock Purchase Agreement***

In connection with the execution of the initial Wachovia credit agreement on April 24, 2006, we entered into an irrevocable standby stock purchase agreement with Thermo Funding pursuant to which it agreed to purchase under the circumstances described below up to 12,371,136 shares of our Common Stock at a price per share of approximately \$16.17

(approximately \$200.0 million in the aggregate), without regard to any future increase or decrease in the trading price of our Common Stock. Thermo Funding's obligation to purchase these shares was secured by the escrow of cash and marketable securities in an amount equal to 105% of its unfunded commitment.

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

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

The agreement terminated on the earliest of December 31, 2011, our payment in full of all obligations under the credit agreement or Thermo Funding's purchase of all of the stock subject to its obligations under the agreement. Thermo Funding could elect at any time to purchase any unpurchased stock. Thermo Funding completed its purchase of all shares subject to the agreement on November 2, 2007. All requirements were fulfilled by Thermo Funding by November 2007. As required by the pre-emptive rights provisions contained in our former certificate of incorporation, we intend to offer our stockholders as of June 15, 2006 who are accredited investors (as defined under the Securities Act of 1933) and who received 36 or more shares of our Common Stock as a result of the Old Globalstar bankruptcy, the opportunity to purchase shares of our Common Stock on substantially the same terms as Thermo Funding. These stockholders, excluding stockholders who have waived their pre-emptive rights, will be entitled to purchase, and upon entering into a commitment may elect to purchase at any time thereafter, up to 785,328 additional shares of our Common Stock at approximately \$16.17 per share in the pre-emptive rights offering.

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

At March 31, 2008, we have a remaining commitment to purchase a total of \$54.8 million of mobile phones, services and other equipment under various commercial agreements with QUALCOMM. We believe the long-term equipment contract with QUALCOMM is necessary to obtain the best possible pricing for the development and purchase of our second-generation of handsets and accessories. We expect to fund this remaining commitment from our working capital, funds generated by our operations, proceeds from our convertible notes offering which closed on April 15, 2008 and, if necessary, additional capital from the issuance of equity or debt.

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

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

## Off-Balance Sheet Transactions

We have no material off-balance sheet transactions.

## Recently Issued Accounting Pronouncements

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

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

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

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

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

Our exposure to fluctuations in currency exchange rates has increased significantly as a result of contracts for the construction of our second-generation constellation satellite and the related control network facility, which are primarily payable in Euros. A 1.0% decline in the relative value of the U.S. dollar, on the remaining balance related to these contracts of approximately €503.6 million on March 31, 2008, would result in \$7.96 million of additional payments. See “Note 4: Property and Equipment” of the Unaudited Interim Consolidated Financial Statements in Part I, Item 1 of this Report.

## Item 4. Controls and Procedures

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

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 as of March 31, 2008, the end of the period covered by this Report. The evaluation included certain internal control areas in which we have made and are continuing to make changes to improve and enhance controls. This evaluation was based on the guidelines established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Based on this evaluation, our chief executive officer and chief financial officer concluded that as of March 31, 2008 our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We believe that the consolidated financial statements included in this Report fairly present, in all material respects, our consolidated financial position and results of operations as of and for the three months ended March 31, 2008.

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

As of March 31, 2008, our management, with the participation of our chief executive officer and chief financial officer, evaluated our internal control over financial reporting. Based on that evaluation, our CEO and CFO concluded that there were no changes in our internal control over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**PART II: OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

You should carefully consider the risks described in this Report and all of the other reports that we file from time to time with the Securities and Exchange Commission (“SEC”), in evaluating and understanding us and our business. Additional risks not presently known or that we currently deem immaterial may also impact our business operations and the risks identified in this Report may adversely affect our business in ways we do not currently anticipate. Our financial condition or results of operations also could be materially adversely affected by any of these risks. We do not believe there have been any material changes to the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007. We advise you to review that report, which we filed on March 17, 2008.

**Item 6. Exhibits**

Number	Description
4.1*	Indenture dated as of April 15, 2008 between Globalstar, Inc. and U.S. Bank, National Association (Exhibit 4.1 to Current Report on Form 8-K filed April 16, 2008)
4.2*	First Supplemental Indenture dated as of April 15, 2008 between Globalstar, Inc. and U.S. Bank, National Association (Exhibit 4.2 to Current Report on Form 8-K filed April 16, 2008)
4.3*	Form of Global 5.75% Convertible Senior Note due 2028 (included as part of Exhibit 4.2)
10.1*	Pledge and Escrow Agreement dated as of April 15, 2008 among Globalstar, Inc., U.S. Bank, National Association, as Trustee and U.S. Bank, National Association, as Escrow Agent
10.2*	Share Lending Agreement dated as of April 10, 2008 among Globalstar, Inc., Merrill Lynch International and Merrill Lynch, Pierce, Fenner & Smith Incorporated
10.3†	Spectrum Manager Lease Agreement dated as of October 31, 2007 between Globalstar Licensee LLC and Open Range Communications, Inc.
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

\* Incorporated by reference

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

SIGNATURES

Pursuant to the requirements of 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 9, 2008

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

Date: May 9, 2008

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.

**SPECTRUM MANAGER****LEASE AGREEMENT**

This Spectrum Manager Lease Agreement (“Lease Agreement”) is entered into as of this 31<sup>st</sup> day of October, 2007, between Globalstar Licensee LLC, a Delaware limited liability company and a wholly-owned subsidiary of Globalstar, Inc. with its principal place of business located at 461 South Milpitas Blvd., Building 5, Milpitas, CA 95035 (“Lessor”), and Open Range Communications, Inc., a Delaware corporation with its principal place of business located at 6465 South Greenwood Plaza Blvd., Suite 820 Centennial, CO 80111 (“Lessee”) (collectively the “Parties” or, individually, a “Party”).

**WITNESSETH**

**WHEREAS**, Lessor holds the licenses issued by the Federal Communications Commission (“FCC”) identified on Part 1 of Exhibit A hereto (each an “FCC License” and collectively the “FCC Licenses”); and

**WHEREAS**, Lessor and Lessee desire to enter into this Lease Agreement in order: (i) to grant Lessee the right to use up to 20 MHz of spectrum covered by the FCC Licenses that is authorized today or in the future for Ancillary Terrestrial Component (“ATC”) service, as more specifically set forth on Part 2 of Exhibit A hereto (collectively, the “GSAT Spectrum”) to provide the ORC Services (as defined below) in certain named geographic markets within the United States, as set forth herein (collectively, the “Leased Territories”); (ii) to establish the terms under which Lessee may construct and operate terrestrial wireless facilities in the Leased Territories utilizing the GSAT Spectrum (the “System”); and (iii) to memorialize the respective rights and responsibilities of Lessor and Lessee with respect to the operations of the System consistent with the Communications Act of 1934, as amended, and the rules, regulations and policies of the FCC (collectively, the “Communications Laws”) and the terms and conditions set forth herein;

**NOW THEREFORE**, in consideration of the mutual promises contained herein, the Parties hereby agree as follows:

**1. Agreement to Lease.**

(a) **Spectrum Usage Rights.** Subject to the terms and conditions set forth herein (including, without limitation, the condition precedent of FCC approval as

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set forth in Section 9 below), Lessor hereby grants to Lessee the right to use the GSAT Spectrum (the “Leased Spectrum”), beginning on the Lease Commencement Date (as defined below) and until the expiration or termination of this Lease Agreement (the “Spectrum Usage Rights”) to provide the ORC Services within the geographic boundaries set forth on Exhibit B hereto (the “Initial Markets”), and within the Deferred Pop Markets (as defined below) and all other geographic boundaries that are granted to Lessee pursuant to the Options (as defined below) when such grants are effective hereunder. The Parties acknowledge that the Initial Markets include 6,000,000 Pops, with “Pops” being defined as the population of a “Place,” as used for the reporting of decennial census data, including census designated places, consolidated cities and incorporated places, based on 2000 Census Data and extrapolated to 2006 using county growth rate demographic information as provided by Claritas and included in Exhibit C hereto. At any time prior to the beginning of its build-out in a particular Initial Market, Lessee may with prior notice to Lessor substitute, in place of such Initial Market, one or more alternative geographic markets within the United States and outside the [\*] containing an equivalent number of Pops to the Initial Market so replaced (“Substituted Markets”), and upon such notice Exhibit B shall be deemed amended to replace such Initial Market with the Substituted Markets; provided, however, that in no case will the Initial Markets include in excess of [\*] Pops.

**(b) Permitted Use.** Lessee may use the Leased Spectrum to offer wireless broadband internet access services utilizing data rates of [\*] Mbps downlink and [\*] Kbps uplink over the System (the “ORC Services”), but only if and to the extent that such use and ORC Services (i) comply with all terms and conditions of the FCC Licenses and the Communications Laws, as currently in effect or as they may be modified in the future, including without limitation those Communications Laws related to ATC service, and (ii) do not interfere with the full operation of the mobile satellite service (“MSS”) system operated by Lessor and its affiliates (including all gateway earth stations, mobile earth stations, and other facilities and equipment related thereto), their full use of the FCC Licenses outside the Leased Spectrum (subject to Section 10(g) hereof), and their provision of communications services outside the Leased Territories, and so long as the System and Lessee’s customer premises equipment is capable of communicating with such MSS system in accordance with Lessor’s technical specifications.

**(c) Scope of Spectrum Usage Rights.** Subject at all times to the review, supervision and ultimate control of Lessor, the Spectrum Usage Rights granted hereunder convey to Lessee the right and obligation to use the Leased Spectrum to purchase, construct and operate the System to provide the ORC Services within the Leased Territories. The Spectrum Usage Rights granted to Lessee include, among other things, the right and obligation to the extent consistent with the Communications Laws:

- (i) design and construct the System, including determining the number and location of radio facilities to be constructed;

- (ii) identify, obtain and maintain, in its own name, full legal right to all real property necessary to deploy the System;
- (iii) obtain and maintain, in its own name, appropriate zoning approval for the System;
- (iv) purchase, in its own name, all equipment as may be necessary or appropriate for the construction and testing of the System;
- (v) provide administrative, legal, accounting, billing, credit, collection, insurance, purchasing, clerical and such other general services as may be necessary or appropriate for the construction, testing, maintenance and operation of the System;
- (vi) provide operational, engineering, maintenance, repair and such other technical services as may be necessary for the construction, testing, maintenance and operation of the System;
- (vii) control access to and from the System facilities; provided, however, that in no event shall Lessor be restricted from unfettered access to the System facilities in accordance with Section 5(b) below;
- (viii) conduct and manage the affairs of the System, including the making of all ordinary business decisions in furtherance of the day-to-day operation of the System;
- (ix) determine and carry out all policy decisions relating to the facilities of the System, subject to such oversight by Lessor as is reasonably necessary to ensure compliance with the Communications Laws;
- (x) hire, supervise, and dismiss all personnel employed in the operation of the System (other than employees hired by Lessor for the purpose of carrying out Lessor's duties with respect to the FCC Licenses and the Leased Spectrum);
- (xi) undertake all financial obligations, including payment of expenses arising out of the operation of the System, and securing all financing for the construction and operation of the System;
- (xii) receive all monies and profits from the operation of the System, subject to Lessee's payment obligations under this Lease Agreement;
- (xiii) make determinations as to the scope, marketing, and other terms and conditions of the ORC Services to be provided to Lessee's customers on the System; and

(xiv) take all other actions that Lessee deems necessary or desirable to construct, test, maintain, and operate the System or otherwise carry out any of the foregoing items.

(d) **Non-Interference.** Except as permitted by Sections 1(c)(vii) and 3(a), and so long as Lessee performs its obligations hereunder, Lessor will not interfere with or disturb Lessee's rights under this Lease Agreement, including, without limitation, its rights to exclusive possession, use and quiet enjoyment of the Spectrum Usage Rights, to the extent permitted under the Communications Laws.

**2. Obligations of Lessee.**

(a) **General Obligations.** Subject to the review, supervision and ultimate control of Lessor, Lessee shall:

(i) cooperate with and aid Lessor with whatever actions Lessor is required to take, if any, in order to make any required notifications, or to obtain the approvals or consents of any governmental body necessary for the Lessee to construct and operate the System;

(ii) operate the System consistent with the Communications Laws or any other applicable Federal, State or local law, including but not limited to, all Federal Aviation Administration ("FAA") and FCC Tower Registration filing requirements for all structures under FCC Rule Part 17; NEPA regulations (FCC Rule Part 1.1307-11); this Lease Agreement; and the terms and conditions of the FCC Licenses (including, but not limited to, eligibility, basic and character qualifications requirements, foreign ownership and use restrictions, and technical requirements);

(iii) satisfy all of the requirements that may be imposed on Lessee under the Communications Laws, including, but not limited to, Section 1.9020 and any similar sections of the FCC's Rules governing spectrum manager leasing arrangements;

(iv) expressly satisfy the FCC's E-911 requirements set forth in 47 C.F.R. Part 9 to the extent that they are applicable to the Lessee's provision of ORC Services on the Leased Spectrum, as though Lessee were solely responsible for such compliance; and

(v) take whatever actions are reasonably necessary to resolve any interference-related matters arising from operation of any system it may construct and operate on the Leased Spectrum, including any conflicts between Lessee and any other licensed spectrum user.

(b) **Equipment.** Lessee shall install and maintain all equipment, including but not limited to, towers, transmission lines, antennas, microwave facilities, transmitters and related equipment that is necessary for the operation of the System consistent with the FCC Licenses and the Spectrum Usage Rights ("System Equipment"). Lessee may pledge the System Equipment as security or otherwise create

encumbrances on the System Equipment as Lessee deems appropriate. Upon the termination of this Lease Agreement, Lessee shall promptly cease operating the System Equipment on the Leased Spectrum.

(c) **FCC Compliance.** At all times during the term of this Lease Agreement, Lessor shall retain the primary responsibility for ensuring that the FCC Licenses and the Leased Spectrum are utilized in full compliance with the Communications Laws, including, but not limited to, the responsibility for all interactions with the FCC related to the FCC Licenses and the Leased Spectrum. Lessee acknowledges that Lessee will remain independently responsible to Lessor and, to the extent required under the Communications Laws, to the FCC for complying with the foregoing, and agrees that Lessee will not construct or operate any facility utilizing the Leased Spectrum in a manner inconsistent with, contrary to, or in violation of, the Communications Laws. Lessee will use commercially reasonable efforts to cooperate with Lessor in meeting Lessor's FCC compliance obligations with respect to the Leased Spectrum.

(d) **Notification of Violations or Material Changes; Cooperation.** Lessee shall promptly notify Lessor of any occurrence of any contractual dispute, violation, litigation, investigation, proceeding or inquiry that may arise generally or between Lessee and any person, entity, or governmental body which, if adversely determined, could reasonably be expected to have a materially adverse impact on the FCC Licenses or Lessee's Spectrum Usage Rights. If the FCC or any other governmental body initiates an investigation or inquiry concerning Lessor or Lessee in connection with this Lease Agreement or Lessee's performance of any of its obligations hereunder, Lessee shall cooperate with Lessor, the FCC, or other governmental body in an effort to resolve such investigation or inquiry; provided, however, that this sentence shall not require Lessee to waive any legal rights or privileges with respect to such investigation or inquiry.

### 3. **Obligations of Lessor.**

(a) **Oversight of Lessee's Operations on the Leased Spectrum.** Throughout the term of this Lease Agreement, Lessor will have the unconditional right to take all actions necessary or desirable to ensure that Lessee's exercise of its Spectrum Usage Rights in the Leased Spectrum and its operation of the System comply with the Communications Laws, this Lease Agreement, and the terms and conditions of the FCC Licenses (including, but not limited to, conformity with applicable license eligibility, basic qualifications, character qualifications and technical requirements, and use and foreign ownership restrictions). As such, and without limitation, throughout the term of this Lease Agreement, Lessor retains the unconditional right to do any of the following:

(i) monitor and oversee Lessee's use of the Spectrum Usage Rights, as necessary, to ensure that Lessee operates the System in conformance with technical and use rules applicable to the FCC Licenses;

(ii) take all actions that are reasonably necessary to ensure that Lessee's operation of the System complies with the Communications Laws intended to prevent harmful interference to any other licensed spectrum user;

(iii) take whatever actions are reasonably necessary to resolve any interference-related matters arising from operation of the System, including any conflicts between Lessee and any other licensed spectrum user;

(iv) make determinations as to whether particular circumstances give rise to the requirement of filing an application or notification with the FCC or any other governmental authority, and if such, with Lessee's cooperation, make such filing or notification; and

(v) communicate with the FCC on matters related to the FCC Licenses.

**(b) Maintenance of the FCC Licenses.** Lessor will take all actions within its control to maintain the FCC Licenses and Lessee's rights hereunder to use the Leased Spectrum in full force and effect. Lessor shall secure and maintain all required FCC authorizations, including but not limited to a blanket license or other appropriate authorization, for all MSS ATC customer premises equipment, terminals, and other communications devices used by Open Range customers (the "Blanket License"). The Blanket License shall be considered to be one of the FCC Licenses for the purposes of this Lease Agreement.

**(c) FCC Interactions.** Lessor will be the sole interface with the FCC on all matters directly relating to the FCC Licenses or the Spectrum Usage Rights granted under this Lease Agreement; provided, however, that nothing contained herein shall restrict Lessee from communicating with the FCC (i) on policy matters not solely relating to Lessee's use of the Leased Spectrum or on matters imposed under the Communications Laws on Lessee as a result of its provision of services to its customers on the System, or (ii) subject to the requirements of Section 2(d) above, on inquiries specifically directed to Lessee (rather than Lessor or the System) by the FCC, so long as Lessee provides prompt prior notice of such communicating to Lessor. Upon reasonable advance request, Lessor may request Lessee to attend any meetings with the FCC which involve or relate to Lessee's use of the Leased Spectrum.

**(d) Notifications of Violations or Material Changes; Cooperation.** Lessor will notify Lessee promptly of the occurrence of any event or the initiation of any litigation, investigation, proceeding or inquiry by the FCC or any governmental body that could reasonably be expected to have a material impact or result in a material change to the ownership or operation of the FCC Licenses or Lessee's Spectrum Usage Rights under this Lease Agreement. If the FCC or any other governmental body initiates an investigation or inquiry concerning Lessor or Lessee in connection with this Lease Agreement or Lessor's performance of any of its obligations hereunder, Lessor shall cooperate with Lessee, the FCC, or other governmental body in an effort to resolve such investigation or inquiry; provided, however, that this sentence shall not require

Lessor to waive any legal rights or privileges with respect to such investigation or inquiry.

**4. Control of FCC License and Leased Spectrum.**

Notwithstanding any other provision, and at all times during the term of this Lease Agreement, Lessor shall retain de jure and de facto control of the Leased Spectrum as required under the Communications Laws. This Lease Agreement (i) does not and will not vest in Lessee, or constitute, create or have the effect of constituting or creating, direct or indirect de facto or de jure control over Lessor or the Leased Spectrum, which ownership or control will remain exclusively and at all times in Lessor and its affiliates, and (ii) does not and will not constitute the transfer, assignment, or disposition in any manner, voluntary or involuntary, directly or indirectly, of the Leased Spectrum or the transfer of control of Lessor within the meaning of Section 310(d) of the Communications Act. Lessee will not take any action inconsistent with or contrary to the Lessor's de jure and de facto control, as those terms are construed by the FCC, over the Leased Spectrum. Lessee will not hold itself out to the public as the owner of the FCC Licenses or the Leased Spectrum.

**5. Coordination; Oversight; Reports.**

(a) **Coordination.** Lessee and Lessor will meet periodically, at such times as Lessor reasonably requests by notice to Lessee, to enable Lessor to ensure that Lessee's activities using the Leased Spectrum and the operation of the System comply with the Communications Laws. At these meetings, the Parties will discuss matters reasonably related to Lessee's construction and operation of the System to the extent required to ensure compliance with the Communications Laws. Lessee will keep or cause to be kept complete books and records with respect to construction and operation of the System, showing (i) technical and operational information related to the System, and (ii) other records reasonably necessary, convenient or incidental to construction, maintenance or operation of the System. Upon Lessor's request, Lessee will provide Lessor with reasonable access to such books and records.

(b) **Right of Access.** Lessor may, upon at least twenty-four (24) hours advance notice, inspect any facility comprising the System during normal business hours and take any action it deems reasonably necessary to fulfill its obligations under this Lease Agreement or the Communications Laws. Lessee may require that an escort selected by Lessee accompany Lessor on any on-site visit to Lessee's facilities. Notwithstanding the foregoing, Lessor may access any facility that is part of the System upon such shorter advance notice as is possible under the circumstances in the event of an emergency at such facility involving Lessee's use of the Leased Spectrum, including but not limited to any instance of objectionable interference to any other user of the Leased Spectrum which is authorized to use the Leased Spectrum to provide services outside the Leased Territories. Lessor will notify Lessee as soon as practicable of Lessor's access during such emergency.

(c) **Reporting.** Upon Lessor's request, Lessee shall provide information updating Lessor about Lessee's activities with respect to the Leased Spectrum, including information regarding (i) technical and operational details about Lessee's transmission facilities; and (ii) any safety, interference or compliance related problems which have arisen as a result of Lessee's operation of the System or use of the Leased Spectrum. Upon Lessor's request, Lessee shall confirm in writing that, to the best of Lessee's knowledge, (i) Lessee is not aware of any interference related problems on the System; (ii) Lessee is not aware of any RF safety related problems with respect to its operations on the System; (iii) Lessee remains qualified to be a lessee of the Leased Spectrum; and (iv) Lessee's operations on the System comply with the provisions of this Lease Agreement and the Communications Laws.

**6. Applications/Notifications.**

(a) **Initial Lease Agreement Application.** Within ten (10) business days following the date of execution of this Lease Agreement, to the extent required by the Communications Laws, Lessor will prepare and file with the FCC such documents as are required by the Communications Laws (which may include a summary of this Lease Agreement) (the "Lease Filing") requesting the FCC's approval of this Lease Agreement and the lease of the Leased Spectrum provided for herein. As soon as practicable following the publishing of a Notice of Proposed Rulemaking which, if formally adopted as an FCC rule, would allow Lessor's use of GSAT Spectrum for ATC service and that, together with applicable rules and policies, would not be reasonably expected to impair the ability of Lessee to use Lessor's ATC spectrum as contemplated herein, Lessor will prepare and file with the FCC the documents necessary to request any waivers of the Communications Laws necessary to permit the lease of Leased Spectrum and any other waivers or filings necessary to effectuate fully the intent of this Lease Agreement (the "Waiver Filings" and, collectively with the Lease Filing, the "FCC Filing"). Lessor will develop a list of the Waiver Filings that it currently believes are necessary and will deliver such list to Lessee within ten (10) business days following the date of execution of this Lease Agreement. Lessor will work to identify as promptly as practicable any additional Waiver Filings that may be necessary or appropriate. Each Party (i) will fully cooperate with the other, and do all things reasonably necessary to timely submit the FCC Filing to the FCC, (ii) will promptly file or provide the other Party with all other information which is required to be provided to the FCC in furtherance of the transactions contemplated hereby; and (iii) will use reasonable commercial efforts to obtain the approvals and/or waivers from the FCC necessary to give effect to this Lease Agreement. In addition, the Parties will fully cooperate with each other and use commercially reasonable efforts to seek waivers and/or approvals from the FCC as necessary to permit Lessee to use "TDD" transmission in connection with its provision of ORC Services.

(b) **Facility Filings.** If Lessee desires to construct any new System facility, or to modify any existing System facility, and such construction or modification would require an application, notification, or other filing with the FCC, another governmental body or a non-governmental third party (a "Facility Filing"), then Lessee will notify Lessor of such requirement, and Lessor will have the final authority to

determine whether a Facility Filing is necessary. Lessor may independently determine that a Facility Filing is required as to any facility of which Lessor, in exercising its oversight hereunder, becomes aware. Such determination by either Party shall include whether the proposed new facility or proposed modification to an existing facility will require (i) frequency coordination; (ii) submission of an environmental assessment; (iii) international or Interdepartment Radio Advisory Committee (IRAC) coordination; (iv) radio quiet zone reporting; (v) notification to the FAA, or (vi) any waivers of the Communications Laws. If a Facility Filing is necessary, Lessee shall promptly prepare and provide to Lessor all necessary application forms, exhibits, filing fees and other materials necessary for Lessor to make such submission in its own name. Lessor shall make such filings. If Lessor believes that such filing is incomplete, then Lessor may instead return such filing to Lessee with a reasonable explanation of those matters that require further preparation and Lessee shall promptly revise such filing to the reasonable satisfaction of Lessor.

(c) **Compliance Applications.** Lessor will make all ongoing compliance filings and reports required by the FCC or any other governmental body as a result of its ownership of the FCC Licenses, subject to Lessee's compliance with its obligations under this Lease Agreement (including without limitation the following sentence). Lessee shall timely notify Lessor if Lessee believes that a compliance filing is required or if it has taken or proposes to take any action which could result in Lessor having to make a compliance filing. Upon such notification, Lessor shall have the exclusive right to decide whether any such compliance filing is required and, if required, the substance of such filing.

## 7. Term.

(a) **Initial Term.** The grant of Spectrum Usage Rights pursuant to Section 1 of this Lease Agreement with respect to the Initial Markets will become effective on the first day (the "Lease Commencement Date") after all of the conditions set forth in Section 9 have been satisfied or waived, and the grant of Spectrum Usage Rights for the Deferred Pop Markets and Option Markets shall become effective as set forth in Section 10 hereof. The term of this Lease Agreement will continue in full force and effect, unless earlier terminated in accordance with the provisions set forth herein, for the duration of Lessor's FCC Licenses, including any renewals thereof, or for 30 years from the Lease Commencement Date, whichever is shorter, subject at all times to compliance with the Communications Laws, provided that, should the duration of Lessor's FCC Licenses be less than thirty (30) years then Lessor agrees to renew this Lease Agreement under the same terms and conditions for such additional period or periods which taken together will equal thirty (30) years from the Commencement date (the "Initial Term").

(b) **Renewal.** If Lessee is in compliance with the terms of this Lease Agreement at such time, Lessee may elect to extend the term of this Lease Agreement for an additional ten years following the end of the Initial Term (the "Renewal Term") by delivering written notice of its intent to exercise its option to renew to Lessor not less than 36 months prior to the expiration of the Initial Term. Payment terms for the

Renewal Term shall be as set forth in Section 8 and Exhibit D hereof (except with respect to the Option Markets, the payment terms for which are covered by Section 10(b)(ii)).

(c) **Additional Lease Extension.** Beginning 37 months prior to the end of the Renewal Term, if the Lease is renewed pursuant to Section 7(b) above, the Parties will negotiate in good faith in an attempt to agree on a further extension of the term of this Lease Agreement. If the Parties have not agreed on such an extension on or before the 15th month prior to the end of the Renewal Term, then either Party shall be entitled to require that the unresolved terms in the lease extension be submitted to a panel of three independent industry experts for determination of commercially reasonable terms based on market comparables (“Determination”) in accordance with the following process. The Party desiring such Determination shall give written notice to that effect to the other Party, specifying in such notice the name, address and professional qualifications of its appointed expert. Within 15 days after receipt of such notice, the other Party shall give written notice to the Party desiring such Determination, specifying the name, address and professional qualifications of its appointed expert. The two appointed experts shall within 15 days thereafter appoint a third expert by mutual consent. All experts appointed hereunder shall have professional qualifications and experience appropriate to address that matters at issue, and shall be in all respects impartial and disinterested. The panel of experts shall prepare and deliver a written decision fixing the unresolved terms for the lease extension within 30 days following the appointment of the final expert. Such written decision shall be final and binding on the Parties. Any lease extension determined pursuant to a Determination under this Section 7(c) shall be for a [\*]-year term and shall be on the same general terms and conditions (other than pricing) as are set forth in this Lease Agreement.

## 8. Payments.

(a) **Ongoing Lease Agreement Payments for Initial Markets and Deferred Pop Markets.** Beginning on the Lease Commencement Date and continuing on the same day of each month thereafter until the expiration or termination of the term of this Lease Agreement, Lessee will pay to Lessor monthly lease payments as follows:

(i) Fixed monthly payments (“Fixed Lease Payments”) and down payments (“Down Payments”) as set forth on Exhibit D hereto. The Fixed Lease Payments for the Initial Markets shall begin, and the Down Payment for the Initial Markets shall be payable, on the Lease Commencement Date. The Fixed Lease Payments for the Deferred Pop Markets shall begin, and the Down Payment for the Deferred Pop Markets shall be payable, on the earlier of (A) the date on which Lessee begins offering any ORC Services in such market pursuant to Section 10(a) hereof and (b) the first day of the [\*] month following the Lease Commencement Date. If Lessee is not able to use a portion of the GSAT Spectrum due to a regulatory restriction imposed by the FCC, the Down Payment and all Fixed Lease Payments shall be adjusted so that they apply proportionately based on the portion (determined by number of MHz) of GSAT Spectrum actually available for use by Lessee, as more specifically set forth on Exhibit D hereto.

(ii) Variable monthly payments (“Variable Lease Payments”) equal to \$[\*] per subscriber per month on the System. A “subscriber” is defined as a unit of customer premises equipment, or a group of units of customer premises equipment employed by the same user that share a single wireless access card or specific customer identifier and no two of which may be used simultaneously. Within five days following each month-end during the term of this Lease Agreement, Lessee shall deliver to Lessor a written certification of the number of subscribers on the System during such month. The Variable Lease Payments shall increase [\*]% on the first day of the 25<sup>th</sup> month following the Lease Commencement Date (the “Escalation Date”), and the Variable Lease Payments then in effect shall increase [\*]% on each anniversary of the Escalation Date thereafter, all as set forth on Exhibit D.

(iii) For avoidance of doubt, this subsection (a) shall not be applicable to any Leased Spectrum leased pursuant to the Options as described in Section 10(b) hereof.

(b) **Regulatory Fees.** Lessee shall pay its own FCC regulatory fees, if any, accruing by reason of Lessee’s operation of the system on the Leased Spectrum.

(c) **Sales and Use Taxes.** Lessee shall bill, collect, report, and remit any and all sales or use taxes directly related to Lessee’s use of the Leased Spectrum and the services provided thereon in all jurisdictions where such taxes apply.

(d) **Inspection Rights.** Lessor and its affiliates, agents, accountants and other advisors may inspect Lessee’s books and records from time to time, upon reasonable notice and in a manner not to unreasonably interfere with Lessee’s business operations, in order for Lessor to confirm Lessee’s compliance with its obligations under this Lease Agreement. Such inspection shall be at Lessor’s expense, unless such inspection reveals a material underpayment by Lessee, in which case Lessee shall reimburse Lessor for its costs and expenses associated with such inspection. In addition, upon Lessor’s request Lessee will provide evidence of payment of regulatory fees and sales and use taxes as required by subsections (b) and (c) above.

**9. Conditions to Lease Commencement Date.** The grant of Spectrum Usage Rights pursuant to Section 1 of this Lease Agreement and the obligations under Section 8 hereof shall be subject to the satisfaction of the following conditions:

(a) Lessor shall have obtained approval from the FCC to provide Ancillary Terrestrial Services using at least [\*] MHz in S-band spectrum of the GSAT Spectrum.

(b) The FCC shall have approved this Lease Agreement and granted any other approvals and waivers necessary, in each Party’s reasonable determination, to give effect to this Lease Agreement and the transactions contemplated hereby.

(c) No order of any governmental authority preventing or adversely affecting the consummation of the transactions contemplated by this Lease Agreement shall be in effect, and no applicable law, rule or regulation (including, without limitation,

the Communications Laws) prohibiting or adversely affecting the consummation of the transactions contemplated by this Lease Agreement shall be in effect, and there shall not have been instituted (or if instituted, shall not have been withdrawn or terminated) by or before any governmental authority any action, claim, hearing, investigation or other proceeding seeking to enjoin, prohibit or adversely affect the consummation of the transactions contemplated by this Lease Agreement.

(d) Lessee shall have obtained debt and equity financing in excess of \$[\*], which financing shall be available to be drawn upon by Lessee to construct the System and carry out Lessee's obligations under this Lease Agreement, and Lessee shall have provided to Lessor evidence of such financing to Lessor's reasonable satisfaction.

(e) Each of Lessee's representations and warranties set forth in this Lease Agreement shall be true and complete in all material respects at and as of the Lease Commencement Date with the same effect as though such representations and warranties had been made or given at and as of the Lease Commencement Date, and Lessee shall have performed and complied in all material respects with all of its covenants and obligations under this Lease Agreement to be performed or complied with by such party on or prior to the Lease Commencement Date, and Lessee shall have delivered to Lessor a certificate executed by a senior officer of Lessee certifying as to Lessee's compliance with the foregoing.

(f) Each of Lessor's representations and warranties set forth in this Lease Agreement shall be true and complete in all material respects at and as of the Lease Commencement Date with the same effect as though such representations and warranties had been made or given at and as of the Lease Commencement Date, and Lessor shall have performed and complied in all material respects with all of its covenants and obligations under this Lease Agreement to be performed or complied with by such party on or prior to the Lease Commencement Date, and Lessor shall have delivered to Lessee a certificate executed by a senior officer of Lessor certifying as to Lessor's compliance with the foregoing.

(g) [\*]

The condition set forth in subsections (d) and (e) above may be waived by Lessor, and subsection (f) above may be waived by Lessee.

**10. Other Agreements.**

(a) **Deferred Pop Markets.**

(i) Subject to the limitations below, Lessee shall select additional geographic markets within the United States that include a total of [\*]

Pops (the “Deferred Pop Markets”) within which the Spectrum Usage Rights will be granted hereunder at a time or times of Lessee’s choosing (as evidenced by written notice to Lessor) on or after the Lease Commencement Date and prior to or during the [\*] month following the Lease Commencement Date. The term of the grant of Spectrum Usage Rights hereunder for the Deferred Pop Markets shall run from the date of such grant until the end of the Initial Term, and the renewal provisions of Section 7(b) and the Additional Lease Extension provision of Section 7(c) shall apply to the Deferred Pop Markets as well as the Initial Markets.

(ii) Lessee will use its reasonable best efforts to identify in writing the Deferred Pop Markets to Lessor within one year of the Lease Commencement Date. Once the Deferred Pop Markets have been so identified in writing by Lessee to Lessor, Lessor may not lease, or enter into any discussions regarding the lease of, the use of any GSAT Spectrum within such Deferred Pop Markets to any person or entity other than Lessee during the term of this Lease Agreement, provided that Lessee complies in a timely fashion with its obligations set forth in Section 10(a)(i) above.

(iii) Notwithstanding anything to the contrary herein, except with respect to the nine markets designated with an asterisk on Exhibit E hereto, no Deferred Pop Market may fall within the Cellular Market Areas set forth on Exhibit E hereto [\*], and no market within the [\*] shall be included as a Deferred Pop Market, unless Lessor consents in writing to the inclusion of such market (which consent Lessor may withhold in its sole discretion), and the Parties reach agreement on pricing therefor. Lessor will respond within ten business days of receipt to any Lessee request to include a [\*] market in the Deferred Pop Markets. “Cellular Market Area” as used herein has the meaning commonly used by the FCC and in the mobile wireless industry.

(iv) Lessor and Lessee will work together to prepare and file any necessary applications or notifications to the FCC that may be required in connection with the extension of the Spectrum Usage Rights to any Deferred Pop Markets. The Initial Markets together with the Deferred Pop Markets are collectively referred to as the “Lessee Markets.”

(v) For avoidance of doubt, the fact that a market has been identified by Lessee as a Deferred Pop Market will not, by itself, cause Lessee to be liable for payment for the Pops within such market under this Lease Agreement. The payment obligations for such Deferred Pop Market under Section 8 and Exhibit D hereof will begin on the earlier of i) the beginning of the [\*] month following the Lease Commencement Date and ii) the date on which Lessee begins offering any ORC Services in such market. If Lessee has not identified in writing to Lessor the Deferred Pop Markets in accordance with this Section by the end of the [\*] month following the Lease Commencement Date, Lessee shall be liable for payment for all [\*] Deferred Pops under this Lease Agreement, whether or not it is providing service in any Deferred Pop Markets at such time. Once payment obligations begin for the Deferred

Pop Markets, all other terms of this Lease Agreement (except as specifically otherwise noted herein) shall apply to the Deferred Pop Markets.

**(b) Options and Rights of First Refusal on Additional Pops.**

(i) Lessee will have three successive options (the "Options") to lease GSAT Spectrum to provide ORC Services outside the Lessee Markets, subject to the limitations herein, in geographic markets within the United States including up to a maximum of [\*] Pops (the "Option Markets"). The first Option will be for markets including [\*] Pops. The second option will be for markets including [\*] Pops. The third Option will be for markets including [\*] Pops. Each Option shall be exercisable beginning on the Lease Commencement Date. Lessee may exercise the first Option prior to the third anniversary of the Lease Commencement Date, may exercise the second Option prior to the fourth anniversary of the Lease Commencement Date, and may exercise the third Option prior to the fifth anniversary of the Lease Commencement Date. Each Option must be exercised by Lessee delivering to Lessor written notice of its exercise of such Option (including the specific geographic markets Lessee intends such Option to apply to) within the applicable exercise period. Options may be exercised partially over time, subject to the limitations set forth herein. If any Option exercise period expires without Lessee fully exercising the applicable Option, then all remaining unexercised Options shall terminate, unless Lessor elects otherwise by written notice to Lessee. The term of the grant of Spectrum Usage Rights hereunder for any Option Market shall run from the date of Lessee's exercise of the applicable Option until the end of the Initial Term, and the renewal provisions of Section 7(b) and the Additional Lease Extension provision of Section 7(c) shall apply to the Option Markets as well as the Initial Markets and the Deferred Pop Markets.

(ii) Unless otherwise agreed by Lessee and Lessor with respect to any Option Market, Lessee will pay to Lessor for such Option Market, beginning on the date the Option is exercised and on the first day of each month thereafter until the expiration or termination of this Lease Agreement, a monthly lease payment ("Option Lease Payments") based upon a net present value, determined assuming a [\*]% per annum discount rate and a zero future value ("NPV"), assuming a 30-year lease term, of the product of (A) \$[\*] multiplied by (B) the number of MHz of Leased Spectrum (which, for avoidance of doubt, shall be all of the GSAT Spectrum in such Option Market) multiplied by (C) the Pops included in such Option Market. Lessee shall also be responsible for all payments and obligations under Sections 8(b), 8(c) and 8(d) with respect to the Option Markets. The Parties acknowledge that they will remain flexible on the payment timing and structure that effectuates the pricing described in the previous sentence, in order to accommodate the needs of third parties to which Lessee may choose to sublease Option Markets under an affiliate program. Notwithstanding anything to the contrary herein, except with respect to the nine markets designated with an asterisk on Exhibit E hereto, the Options shall not apply to markets within the [\*], and no market within the [\*] may be included as an Option Market unless Lessor consents thereto in writing (which consent Lessor may withhold in its sole discretion) and the Parties reach agreement on pricing therefor. Other than with

respect to pricing, which is addressed by this subsection (ii), once any Option is exercised for any Option Market, all terms of this Lease Agreement (except as specifically otherwise noted herein) shall apply to such Option Market.

(iii) For the period beginning on the Lease Commencement Date and ending on the earlier of (A) the date on which the final Option is exercised and (B) the expiration of any Option pursuant to subsection (i) above prior to it being exercised in full by Lessee (the "Pops ROFR Period"), Lessee shall have the following right of first refusal to lease GSAT Spectrum in geographic markets outside the [\*] that include up to [\*] Pops in the aggregate (the "Pops ROFR"). The Pops ROFR shall operate as follows and shall be subject to the following limitations. If Lessor receives a bona fide offer to lease GSAT Spectrum (an "Offer") in any geographic market or markets outside the [\*], it shall notify Lessee of the markets covered by the Offer that are outside the [\*] (the "ROFR Markets") within 10 business days of receipt of such offer. If Lessee wishes to exercise the Pops ROFR with respect to the ROFR Markets, it must so notify Lessor in writing within 30 days of the date of Lessor's delivery of notice of the Offer. If Lessee does not notify Lessor within the 30-day period, Lessor may lease the GSAT Spectrum that was subject to the Offer to a third party on terms no less favorable to Lessor than the terms of the Offer. If Lessee exercises the Pops ROFR with respect to the ROFR Markets, each such ROFR Market immediately shall be deemed to be either a Deferred Pop Market or an Option Market pursuant to this Lease Agreement (as determined by Lessee at the time of exercise), but only if the Pops within the ROFR Market together with all other geographic markets in which Lessee has Spectrum Usage Rights at such time or which Lessee has previously identified to Lessor pursuant to Section 10(a)(ii) (collectively, "Covered Markets") are equal to or less than [\*]; otherwise to the extent that the Pops within the ROFR Market together with the Pops within all Covered Markets at such time are greater than [\*], the portion of the ROFR Market exceeding [\*] Pops shall be immediately deemed to be an Option Market pursuant to this Lease Agreement. Notwithstanding the foregoing, however, payment obligations under this Lease Agreement shall begin immediately for any Option Markets acquired pursuant to the Pops ROFR, and to the extent that a ROFR Market is deemed to be an Option Market, Lessee shall deliver to Lessor, within 90 days of its exercise of the Pops ROFR, a down payment of [\*]% of the total lease payments applicable to such market (such total lease payments to be calculated consistent with the NPV set forth in subsection (ii) above). The Pops ROFR will expire on a pro rata Pop basis consistent with the selection of the Deferred Pop Markets and the exercise of the Options, and will expire completely at the end of the Pops ROFR Period.

(iv) Subject to the following limitations, the Pops ROFR will apply to an Offer that includes markets within the [\*], but only so long as more than [\*]% of the Pops covered by the Offer fall outside the [\*]. If the Pops ROFR applies to an Offer, the Pops ROFR will apply only to those markets covered by the Offer that fall outside the [\*], except that the Pops ROFR will apply to the nine markets designated with an asterisk on Exhibit E hereto. For example, if Lessor receives an Offer to lease GSAT Spectrum both inside and outside a [\*], and more than [\*]% of the Pops covered by the Offer fall outside the [\*],

the Pops ROFR will apply only to the geographic markets outside the [\*] that are the subject of the Offer, and Lessee shall not have the right to nor shall it be obligated to exercise the Pops ROFR with respect to the geographic markets within the [\*], except, in each case, to the extent the Offer applies to any of the nine markets designated with an asterisk on Exhibit E hereto. During the Pops ROFR Period, so long as Lessee exercises the Deferred Pops and Options in compliance with Sections 10(a) and 10(b) hereof, Lessor must reserve for Lessee, and may not lease to any third party, GSAT Spectrum in markets outside the [\*] that include at least 44,000,000 Pops in the aggregate.

**(c) Lessor's Referral Obligation.**

(i) Lessor will refer to Lessee opportunities from other rural operators of telecommunications services in the United States whose proposed service offering (as measured in Pops) is more than [\*]% outside the [\*] ("Rural Operators"); provided, however, that beginning on the 90<sup>th</sup> day after such referral, Lessor will be free to negotiate and enter into agreements with any such Rural Operator that does not reach agreement in principle for the sublease of GSAT Spectrum from Lessee by such time, and beginning on the 120<sup>th</sup> day after such referral, Lessor will be free to negotiate and enter into agreements with any Rural Operator notified to Lessee in accordance with this subsection that has not entered into a definitive, binding agreement with Lessee for the sublease of GSAT Spectrum by such time.

(ii) If Lessee so elects by written notice to Lessor, any lease of GSAT Spectrum in geographic markets outside the [\*], whether by Lessor or Lessee (by sublease of rights hereunder), to the Covered Operators (defined below) will be treated as either Deferred Pop Markets or Option Markets, as determined by Lessee at the time of election (if the Pops within such markets together with all Covered Markets at such time are equal to or less than [\*]), or otherwise as Option Markets, for purposes of determining (A) the number of Pops available within the Deferred Pops Markets or the Option Markets and (B) Lessee's satisfaction of its obligations under Section 10(a) or Lessee's exercise of Options within the time periods required under Section 10(b). If, during the period in which any Options remain unexercised and unexpired, Lessor leases any GSAT Spectrum outside the [\*] to any Covered Operator (a "Covered Operator Lease") for a total price, the NPV of which (determined pursuant to Section 10(b) above) exceeds the NPV of the payments for Deferred Pop Markets pursuant to Section 8(a) hereof (if selected by Lessee in accordance with the previous sentence) or the Option Lease Payments, as the case may be, on a per-MHz-Pop basis, as determined by Lessor in its good faith judgment, then (X) any such excess will be for the account of Lessee, and Lessor will pay the amount of such excess to Lessee upon its receipt thereof, as calculated by Lessor in its good faith judgment, and (Y) the markets leased pursuant to the Covered Operator Lease will be treated as Deferred Pop Markets or Option Markets, as the case may be, for purposes of determining the number of Pops available within the Deferred Pop Markets and Option Markets and Lessee's exercise of Options within the time periods required under Section 10(b); provided, however, that the foregoing clause (X) shall apply only until the end of the Initial Term or the earlier termination of this Lease

Agreement, and shall only apply to the extent that the number of Pops covered by the Covered Operator Lease, together with the total Pops covered by all other Covered Operator Leases, Initial Markets, Deferred Pop Markets and Option Markets, does not exceed [\*]. In addition, if Lessee reaches agreement with any third party regarding a sublease of GSAT Spectrum outside the [\*] (“Subleased Spectrum”), but (i) the sublease is not permitted by law or (ii) the third party requires, as a condition to the effectiveness of the sublease, that it lease the Subleased Spectrum directly from Lessor, then the preceding two sentences will apply to any lease of the Subleased Spectrum by Lessor to such third party. “Covered Operators” means the following entities and their affiliates: Embarq, Citizens Communications, CenturyTel, Qwest, Clearwire and Sprint.

(iii) If Lessee disagrees with any of Lessor’s good faith pricing determinations under subsection (c)(ii) above, Lessee may object to such determination only by delivering written notice of such objection to Lessor within 10 business days following Lessor’s delivery of notice of such determination to Lessee. The Parties will thereafter negotiate in good faith in an attempt to resolve such disagreement. If the Parties cannot reach agreement within 30 days after Lessee’s objection notice, the matter will be resolved by a panel of three independent industry experts pursuant to the process set forth in Section 7(c) hereof.

(iv) Subject to the limitations set forth therein, subsection (c)(ii) above will apply to a lease or sublease of GSAT Spectrum that includes markets within the [\*]. In such case, subsection (c)(ii) will only apply to that portion of the lease or sublease that covers markets outside the [\*]; provided, however, that in connection with its election described in the first sentence of subsection (c)(ii) above, Lessee may also elect to have any geographic markets within the [\*] covered by such Covered Operator Lease treated as Option Markets for purposes of determining (A) the number of Pops available within the Option Markets and (B) Lessee’s exercise of Options within the time periods required under Section 10(b), but for no other purpose. If Lessor and another operator sign a letter of intent or other similar preliminary agreement that contemplates the lease of GSAT Spectrum by Lessor to such operator, and any of the Pops to be covered by the proposed lease fall outside the [\*], then Lessor will notify lessee of such preliminary agreement within seven days and use reasonable best efforts to allow Lessee the opportunity to discuss with such operator the potential for Lessee to provide such operator with product and service solutions for its proposed service offering outside the [\*]; provided, however, that this sentence shall not limit or preclude Lessor’s ability to enter into a definitive lease of GSAT Spectrum with any such operator, subject to Lessor’s compliance with Section 10(b)(iii) (to the extent applicable).

(v) For avoidance of doubt, any GSAT Spectrum leased by Lessor to a third party not in violation with the terms of this Lease Agreement shall not be available to Lessee for lease pursuant to this Lease Agreement (including without limitation Sections 10(a) and 10(b) hereof).

(d) [\*]

(e) **Other Commercial Arrangements.** Lessor and Lessee shall grant each other roaming agreements on their respective terrestrial systems and networks, consistent with the charges to other third parties utilizing comparable volumes, if and to the extent that Lessor deploys a terrestrial system and it is compatible with the System Lessee plans to develop. Lessor and Lessee shall each have access to the other Party's system and network under reasonable commercial terms including "most favored nations" pricing for comparable volumes. The agreement granting such mutual access shall include a commitment of Lessor to provide, following the date of launch of Lessor's second-generation satellites and ground infrastructure and the commencement of services over such satellites and ground infrastructure (the "Second Generation Start Date"), a promotional rate to Lessee's customers within the Leased Territories at such time consisting of free satellite airtime on Lessor's MSS system for a period of 90 days from the Second Generation Start Date. In addition, Lessor agrees to offer to Lessee "most favored nations" pricing for comparable volumes of Lessor's products and services for use over Lessor's MSS system pursuant to Lessor's standard commercial agreements. Lessee shall be responsible for the costs of development of the equipment necessary to comply with the FCC's "safe harbor" rule for ATC services. Lessee shall be responsible for type certification for such equipment, and Lessor shall cooperate reasonably with Lessee in support of Lessee's completion of such type

certification. For so long as Lessor remains in compliance with Section 10(k)(i) hereof, Lessee hereby grants to Lessor a royalty-free worldwide license to use all designs, methods and other intellectual property rights associated with the equipment developed by Lessee in connection with its service offering. Such grant of license shall survive any termination of this Lease Agreement, notwithstanding anything to the contrary set forth in Section 14 hereof, and shall remain in force so long as Lessor remains in compliance with Section 10(k)(i) hereof.

(i) **Spectrum Pricing.** Lessor will not enter into any Covered Spectrum Lease (defined as follows) at a price that is, as determined by Lessor in its good faith judgment, more favorable than the price afforded to Lessee for the Initial Markets in this Lease Agreement, taking into account all aspects of this Lease Agreement and the Covered Spectrum Lease, including (as applicable) fixed prices for upfront purchases or deposits, fixed lease payments, variable lease payments, discount rates, CPI adjustments, and other relevant factors. "Covered Spectrum Lease" means a lease of GSAT Spectrum for use in providing services in markets outside the [\*]. If Lessee disagrees with any of Lessor's good faith determinations under this subsection, Lessee may object to such determination only by delivering written notice of such objection to Lessor within 10 business days following Lessor's delivery of notice of such determination to Lessee. The Parties will thereafter negotiate in good faith in an attempt to resolve such disagreement. If the Parties cannot reach agreement within 30 days after Lessee's objection notice, the matter will be resolved by a panel of three independent industry experts pursuant to the process set forth in Section 7(c) hereof.

(f) **Beta Test.** As soon as practicable after Lessee selects the fundamental communications technology that it intends to use for the System, Lessee shall conduct a test (the "Beta Test") of such communications technology in rural Colorado, in a specific geographic area jointly approved by the Parties (the "Beta Test Market"), to validate the technology in accordance with Lessor's technical specifications. The Beta Test will include no less than five base station transmitters, and will be designed so that upon its successful completion, the System will be ready for operational service for live customers. Lessor shall provide Lessee with access to GSAT Spectrum in the Beta Test Market, subject to the requirements and limitations of the Communications Laws and Lessor's and its affiliates' obligations to their existing mobile satellite service subscribers, and Lessor shall use commercially reasonable efforts to obtain all required approvals and/or waivers from the FCC and any other necessary governmental bodies in order for Lessee to commence the Beta Test. Based on findings from the Beta Test, the Parties will work together to develop the processes and procedures to be used for build out of the System within the Lessee Markets. Lessee will be responsible for all costs incurred in connection with the Beta Test, except that Lessor will pay for the costs of its own employees and contractors (including their travel costs) that are needed to facilitate the Beta Test. Lessee will use its best efforts to cause the technology tested in the Beta Test to function for its intended purpose and comply with all of Lessor's technical specifications and all Communications Laws.

(g) **Buffer Zones.** Recognizing the limits of technology, Lessor acknowledges that Lessee's System within the Leased Territories may in certain

circumstances extend service up to a [\*]-mile radius beyond the boundaries of the Leased Territories (the "Buffer Zones"). Lessee will not be liable for payment for such Buffer Zones under this Lease Agreement except as specifically set forth herein. Lessee will be responsible for coordinating service, negotiating interoperability agreements and avoiding interference with, any providers operating a system in areas adjacent to the Leased Territories, and under those circumstances, will be responsible for operating within the Leased Territory geographic boundaries. Notwithstanding the foregoing, however, Lessee will use its best efforts to identify subscribers that reside beyond the boundaries of the Leased Territories but nonetheless use the System, and Lessee shall notify Lessor of these subscribers and Lessee shall be responsible for payment for such subscribers under this Lease Agreement (including, for avoidance of doubt, both Fixed Lease Payments and Variable Lease Payments) to the extent that the number of such subscribers exceeds either (i) [\*]% of the total number of subscribers then served by Lessee or (ii) with respect to any "place" (as defined in Section 1(a) hereof) [\*]% of the number of subscribers in any such Place within the Leased Territories.

(h) **Build Out Milestones.** Lessee shall use its best efforts to cause the System to be completed and made operational for live customers in all Initial Markets within the time periods and in accordance with the milestones set forth on Exhibit G hereof (the "Build Out Milestones") which Build Out Milestones shall be the same as those specified by the RUS as amended from time to time. If Lessee fails to comply with the Build Out Milestones, and does not cure this failure within 90 days after Lessor provides written notice of such failure to Lessee, (or within such longer period to the extent required to effectuate a cure if promptly commenced and diligently pursued, but not longer than 180 days), then, if Lessor so elects, Lessee shall forfeit its Spectrum Usage Rights in the geographic markets which have not been completed and made operational in accordance with the Build Out Milestones (the "Forfeited Markets"). Once forfeited, the GSAT Spectrum in a Forfeited Market may be used and/or leased by Lessor free of restriction under this Lease Agreement. In the event of any forfeiture of Spectrum Usage Rights under this Section, all unexercised Options shall immediately expire, and Sections 10(b) (iii), 10(c), 10(d)(i) and 10(e)(i) shall immediately terminate in their entirety on the effective date of such forfeiture.

(i) **Satisfaction of Conditions.** The Parties will cooperate with each other in good faith and exercise reasonable commercial efforts to satisfy the conditions to the Lease Commencement Date set forth in Section 9 hereof.

(j) **Additional Rights to Leased Spectrum.** If at any point during the term of this Lease Agreement, the Communications Laws permit the disaggregation of the GSAT Spectrum such that use of the portion of the GSAT Spectrum applicable to the Leased Territories for the ORC Services could be transferred to a third person separately from the rest of the GSAT Spectrum, then the Parties shall promptly thereafter meet, negotiate in good faith, and exercise all commercially reasonable efforts in an attempt to provide Lessee with additional rights to the Leased Spectrum in the event of Lessor's bankruptcy or insolvency (such potential additional rights to include, without limitation, a right to purchase such spectrum and/or a security interest

in such spectrum or the proceeds of such spectrum or other related assets); provided, however, that this Section 10(j) shall not require Lessor to take any action that would be in conflict with any then existing loan agreement or other third person agreement, and there can be no assurance that the Parties will reach agreement on the grant of any additional rights to Lessee.

**(k) Additional Rights of Lessee.**

(i) Lessor shall not sell or otherwise transfer any portion of the Leased Spectrum applicable to the Lessee Markets (the "Transferred Spectrum") without Lessee's consent, except to a transferee who assumes Lessor's obligations under and agrees to be bound by the terms of this Lease Agreement.

(ii) At any time following Lessor's bankruptcy or insolvency, Lessee shall have the right, upon written notice to Lessor, to have the lease payments under this Lease Agreement adjusted on a prospective basis so that such lease payments are consistent with the fair market value of similar spectrum leases and of the underlying spectrum. Following Lessor's receipt of such notice, the Parties will negotiate in good faith in an attempt to agree on the appropriate lease payment adjustment consistent with the previous sentence. If the Parties cannot reach agreement within 30 days after Lessee's notice, the matter will be resolved by a panel of three independent industry experts pursuant to the process set forth in Section 7(c) hereof.

(iii) Lessee's rights set forth in this Section shall not limit any other rights or remedies that it may have in the event of a breach of this Lease Agreement by Lessor.

**11. Express Covenants and Agreements Relating to FCC Matters.**

Notwithstanding anything contained herein to the contrary, the Parties agree that the following provisions will apply:

(a) Lessee must comply at all times in all material respects with applicable rules set forth in the Communications Laws and any other requirement of law. This Lease Agreement may be revoked, cancelled or terminated by Lessor if Lessee fails to comply in all material respects with the applicable requirements and Lessee does not cure this failure within 30 days after Lessor provides written notice of such failure to Lessee;

(b) If any FCC License is revoked, cancelled, terminated or otherwise ceases to be in effect, Lessee has no continuing authority or right to use the Leased Spectrum covered by that FCC License unless otherwise authorized by the FCC, and Lessor shall have no liability to Lessee therefor;

(c) This Lease Agreement is not an assignment, sale or transfer of any FCC License itself;

(d) This Lease Agreement will not be assigned to any entity that is ineligible or unqualified to enter into a spectrum leasing arrangement under the Communications Laws; and

(e) In addition to the other requirements set forth herein, Lessor will not consent to an assignment of this Lease Agreement unless such assignment complies with applicable Communications Laws.

12. **Representations, Warranties and Covenants.**

(a) Each of the Parties hereto represents, warrants and covenants, as applicable, to the other that:

(i) it is duly organized and in good standing under the laws of the jurisdiction of its organization;

(ii) it has full power and authority to carry out all of the transactions contemplated hereby;

(iii) it shall comply with all applicable laws, including the Communications Laws and local, state, and federal rules and regulations, governing the business, ownership, management and operations under this Lease Agreement; and

(iv) all requisite resolutions and other corporate authorizations necessary for its execution, delivery, performance and satisfaction of this Lease Agreement have been duly adopted and complied with; and

(v) this Lease Agreement is a valid and binding agreement, enforceable against it in accordance with the terms of this Lease Agreement.

(b) Lessor further represents and warrants to Lessee as follows, except as set forth on Exhibit H hereto:

(i) Lessor is the exclusive holder of each of the FCC Licenses, free and clear of all liens, and no other person has any right, title or interest in or to any of the FCC Licenses. The FCC Licenses have been granted to Lessor by Final Order and are in full force and effect. "Final Order" means action by the FCC or its staff acting under delegated authority as to which a) no request for stay by the FCC as applicable, of the action is pending, no such stay is in effect, and if any deadline for filing any such request is designated by statute or regulation, such deadline has passed; b) no timely petition for review, rehearing or reconsideration of the action is pending before the FCC, and the time for filing such petition has passed; c) the FCC does not have the action under reconsideration on its own motion and the time for such reconsideration has passed; and d) no appeal to a court, or request for stay by a court, of the FCC's action, as applicable, is pending or in effect, and, if any deadline for filing any such appeal or request is designated by statute or rule, it has passed.

(ii) The term of such licenses is set forth in Part 1 of Exhibit A hereto.

(iii) There is not pending or, to the knowledge of Lessor, threatened against Lessor or any of the FCC Licenses, nor does Lessor know of any basis for, any application, action, formal complaint, claim, investigation, suit, notice of violation, petition, objection or other pleading, or any proceeding before the FCC or any other governmental body, against Lessor or any of the FCC Licenses, which questions or contests the validity of, or seeks the revocation, cancellation, forfeiture, non-renewal or suspension of, any of the FCC Licenses, or which seeks the imposition of any adverse modification or amendment thereof, or the payment of a material fine, sanction, penalty, damages or contribution in connection with its use, provided, however, that, the FCC has under consideration a proceeding in which Lessor may be required to share the portion of its spectrum between 1616 and 1618.25 MHz with Iridium.

(iv) All material documents required to be filed at any time by Lessor with the FCC or any other governmental body pursuant to FCC rules and policies with respect to each of the FCC Licenses have been timely filed or the time period for such filing has not lapsed, except where the failure to timely file or make such filing would not be material. All of such filings are complete and correct in all material respects. None of the FCC Licenses is subject to any conditions other than those appearing on its face and those imposed by FCC rules and policies. All amounts owed to the FCC in respect of each of the FCC Licenses have been timely paid and, as of the date hereof, no further amounts are due to the FCC in respect of any of the FCC Licenses.

(v) Lessor is in compliance in all material respects with all laws, rules and regulations applicable to the FCC Licenses, and has complied in all material respects with the terms and conditions of the FCC Licenses. Lessor has not received written notice of any complaint or order filed alleging any material non-compliance with respect to any such laws, rules or regulations, in each case to the extent applicable to each of the FCC Licenses.

(e) Lessee further represents and warrants to Lessor that it possesses all the requisite qualifications (including those relating to ownership and character) under the Communications Laws to be a lessee as contemplated in this Lease Agreement.

### **13. Indemnification.**

(a) **Indemnification by Lessee.** If Lessee breaches any of its representations, warranties, covenants, agreements or obligations contained herein, then Lessee shall indemnify Lessor and its affiliates and their respective directors, officers, agents, successors and assigns from and against the entirety of any loss, cost, obligation, liability, settlement, payment, award, judgment, fine, penalty, damage, expense, or other charge (collectively, "Losses") or reasonable fees or expenses incurred in connection with investigating, defending or asserting any claim, action, suit

or proceeding incident to any matter indemnified against under Section 13(a) hereunder (including, without limitation, court filing fees, court costs, arbitration fees or costs, witness fees, and reasonable fees and disbursements of legal counsel, investigators, expert witnesses, consultants, accountants and other professionals) (collectively, "Expenses"), any such person may incur prior to, through and after the date of the claim for indemnification resulting from, arising out of, relating to, in the nature of, or caused by the breach (or the alleged breach), or such claim, action, suit or proceeding.

(b) **Indemnification by Lessor.** If Lessor breaches any of its representations, warranties, covenants, agreements or obligations contained herein, then Lessor shall indemnify Lessee and its affiliates and their respective directors, officers, agents, successors and assigns from and against the entirety of any loss, cost, obligation, liability, settlement, payment, award, judgment, fine, penalty, damage, expense, or other charge (collectively, "Losses") or reasonable fees or expenses incurred in connection with investigating, defending or asserting any claim, action, suit or proceeding incident to any matter indemnified against under Section 13(b) hereunder (including, without limitation, court filing fees, court costs, arbitration fees or costs, witness fees, and reasonable fees and disbursements of legal counsel, investigators, expert witnesses, consultants, accountants and other professionals) (collectively, "Expenses"), any such person may incur prior to, through and after the date of the claim for indemnification resulting from, arising out of, relating to, in the nature of, or caused by the breach (or the alleged breach), or such claim, action, suit or proceeding.

(c) **Damages Limitation.** No Indemnified Party (as defined below) shall be entitled to receive any special, punitive, incidental or consequential damages in connection with any claim pursuant to this Section 13 or this Lease Agreement generally; provided, however, that the foregoing shall not limit a Party's right to reimbursement of any such amounts that such Party is required to pay to a third party.

(d) **Notice of Claims.** Any Party (the "Indemnified Party") seeking indemnification under this Section 13 shall give to the Party obligated to provide indemnification to such Indemnified Party (the "Indemnitor") a notice (a "Claim Notice") describing in reasonable detail the facts giving rise to any claim for indemnification hereunder and shall include in such Claim Notice (if then known) the amount or the method of computation of the amount of such claim, and a reference to the provision of this Lease Agreement or any agreement, document or instrument executed pursuant hereto or in connection herewith upon which such claim is based; provided, that a Claim Notice in respect of any action at law or suit in equity by or against a third person as to which indemnification will be sought shall be given promptly after the action or suit is commenced; and provided, further, that failure to give such timely notice shall not relieve the Indemnitor of its obligations hereunder except to the extent it shall have been prejudiced by such failure. After the giving of any Claim Notice pursuant hereto, the amount of indemnification to which an Indemnified Party shall be entitled under this Section 13 shall be determined: (i) by the written agreement between the Indemnified Party and the Indemnitor; or (ii) by a final judgment or decree of any court of competent jurisdiction. The judgment or decree of a court shall be deemed final when the time for appeal, if any, shall have expired and no appeal shall have been taken or when all

appeals taken have been finally determined. The Parties shall proceed in the manner and subject to the limitations in this Section 13 with respect to all matters covered by Sections 13(a) and 13(b). The Indemnified Party shall have the burden of proof in establishing the amount of Losses and Expenses suffered by it.

(e) **Third Person Claims.** In any third person claim, action or suit against any Indemnified Party, then the Indemnitor shall have the right to conduct and control, through counsel of its choosing, the defense, compromise or settlement of any such third person claim, action or suit against such Indemnified Party as to which indemnification will be sought by any Indemnified Party from any Indemnitor hereunder if the Indemnitor has acknowledged and agreed in writing that, if the same is adversely determined, the Indemnitor has an obligation to provide indemnification to the Indemnified Party in respect thereof, and in any such case the Indemnified Party shall cooperate in connection therewith and shall furnish such records, information and testimony and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested by the Indemnitor in connection therewith; provided, that the Indemnified Party may participate, through counsel chosen by it and at its own expense, in the defense of any such claim, action or suit as to which the Indemnitor has so elected to conduct and control the defense thereof. Notwithstanding the foregoing, the Indemnified Party shall have the right to pay, settle or compromise any such claim, action or suit, provided that in such event the Indemnified Party shall waive any right to indemnity therefor hereunder unless the Indemnified Party shall have sought the consent of the Indemnitor to such payment, settlement or compromise and such consent was unreasonably withheld, in which event no claim for indemnity therefor hereunder shall be waived. Notwithstanding the foregoing, Lessor shall be entitled to control the defense of any claim, action or suit which could result in the suspension or revocation of any FCC License.

(f) **Exclusive Remedy.** The Parties acknowledge and agree that their sole and exclusive remedy for monetary damages with respect to any and all claims under this Lease Agreement (other than claims of, or causes of action arising from, fraud) shall be pursuant to the indemnification provisions set forth in this Section 13.

#### **14. Termination.**

(a) **Automatic Termination.** The term of the lease of GSAT Spectrum pursuant to this Lease Agreement will automatically terminate:

- (i) at the expiration of the Initial Term (unless renewed) or the Renewal Term;
- (ii) on a date mutually agreed to in a writing executed by Lessor and Lessee;
- (iii) on the effective date set forth in any order by the FCC (or other governmental body) revoking, canceling or otherwise terminating or failing to renew any FCC License or this Lease Agreement; or

(iv) upon the filing of any petition by or against Lessee under any present or future section or chapter of the Bankruptcy Code or under any similar law or statute of the United States or any state thereof (which, in the case of an involuntary proceeding, is not permanently discharged, dismissed, stayed, or vacated, as the case may be, within sixty (60) days of commencement), or if any order for relief shall be entered against Lessee in any such proceedings.

(b) If any part of the Leased Spectrum is lawfully reclaimed or taken, subjected to sharing obligations that are incompatible with the provision by Lessee of the services contemplated by this Lease Agreement (“Sharing Obligations”) by the FCC or any other governmental body, then Lessee may terminate this Lease Agreement, but only with respect to that portion of the Leased Spectrum that is reclaimed as of the date when title to the Leased Spectrum vests in the FCC or such governmental body or is subjected to a sharing obligation (a “Partial Termination”). The provisions of this Lease Agreement shall be deemed to be adjusted automatically in such event to apply only to the Leased Spectrum not so reclaimed or shared. In the event of any such automatic partial termination, any Fixed Lease Payment will be prorated accordingly based on the actual date of such termination and the MHz of Leased Spectrum available for use by Lessee, as set forth on Exhibit D. If any part of the Leased Spectrum is lawfully reclaimed or taken, subjected to Sharing Obligations by the FCC or any other governmental body and as a result of such event Lessee is not legally able to use at least [\*] MHz of the S-band spectrum granted hereby, then Lessor and Lessee shall promptly meet and discuss whether any actions can be taken that would allow Lessee to continue to provide the ORC Services in the Leased Territories as contemplated by this Lease Agreement. If the Parties have not agreed on a solution within 30 days following such meeting, Lessee may terminate its lease of GSAT Spectrum pursuant to this Lease Agreement.

(c) **Termination by Lessor.** The term of the lease of GSAT Spectrum pursuant to this Lease Agreement may be terminated by Lessor:

(i) if Lessor provides written notice to Lessee that Lessee has materially breached its representations, warranties, covenants, obligations or other agreements contained in this Lease Agreement; provided that Lessee has failed to cure such breach within thirty (30) days from the date of its receipt of the notice specified in this subsection (or such longer period to the extent required to effectuate cure if promptly commenced and diligently pursued, but not longer than 90 days); and provided further that Lessor (A) specifies in such notice the representation, warranty, covenant, obligation or other agreement of which it regards Lessee to be in material breach, and (B) is not itself in material breach of its representations, warranties, covenants, obligations or agreements contained herein;

(ii) immediately if the Lessee becomes insolvent, makes a transfer in fraud of creditors, or makes an assignment for the benefit of creditors;

(iii) if, following the Lease Commencement Date, the FCC requires alterations to the terms of this Lease Agreement that would materially alter

Lessor's rights or obligations hereunder and the Parties hereto are unable in good faith to negotiate substitute terms which provide substantially equivalent rights and obligations as are provided hereunder ;

(iv) if Lessor, in the exercise of its sole discretion, determines that the System or any part thereof is in material non-compliance with the Communications Laws and that Lessee is unable or unwilling to remedy such material non-compliance within thirty (30) days after notice thereof; provided, however, Lessee hereby agrees that, as an alternative to terminating this Lease Agreement, Lessor may, in its sole discretion, seek to compel Lessee to take such action as is necessary to remedy any such violations that can be remedied with commercially reasonable action and at commercially reasonable expense; or

(v) if Lessee's technology fails to function for its intended purpose as such purpose is reflected in the business plan that Lessee has submitted to th RUS or fails to comply in all material respects with the Communications Laws at the conclusion of the Beta Test, or if Lessee is not legally able to use at least [\*] MHz of Lessor's S-band spectrum or the System cannot be operated for its intended purpose due to third party interference; provided that (A) Lessor has complied its obligations relating to the Beta Test set forth in Section 10(f), and (B) Lessor notifies Lessee of its intent to terminate the Lease Agreement within 90 days after the conclusion of the Beta Test.

**(d) Termination by Lessee.** The term of the lease of GSAT Spectrum pursuant to this Lease Agreement may be terminated by Lessee:

(i) if Lessee provides written notice to Lessor that Lessor has materially breached its representations, warranties, covenants, obligations or other agreements contained in this Lease Agreement; provided that Lessor has failed to cure such breach within thirty (30) days from the date of its receipt of the notice specified in this subsection (or such longer period to the extent required to effectuate cure if promptly commenced and diligently pursued, but not longer than 90 days); and provided further that Lessee (A) specifies in such notice the representation, warranty, covenant, obligation or other agreement of which it regards Lessor to be in material breach, and (B) is not itself in material breach of its representations, warranties, covenants, obligations

(ii) if, following the Lease Commencement Date, the FCC requires alterations to the terms of this Lease Agreement that would materially alter Lessee's rights or obligations hereunder and the Parties hereto are unable in good faith to negotiate substitute terms which provide substantially equivalent rights and obligations as are provided hereunder;

(iii) if Lessee's technology fails to function for its intended purpose as such purpose is reflected in the business plan that Lessee has submitted to the RUS or such technology fails to comply in all material respects with the Communications Laws at the conclusion of the Beta Test, or if Lessee is not legally able

to use at least [\*] MHz of Lessor's S-band spectrum or the System cannot be operated for its intended purpose due to third party interference; provided that (A) Lessee has used its best efforts to cause such technology to function for its intended purpose and comply with Communications Laws, and Lessee has otherwise complied with its obligations relating to the Beta Test set forth in Section 10(f), and (B) Lessee notifies Lessor in writing of its intent to terminate the Lease Agreement within 90 days after the conclusion of the Beta Test; or

(iv) if a material part of the Leased Spectrum is lawfully reclaimed or taken or subjected to Sharing Obligations by the FCC or any other governmental body, and as a result of such event the RUS invokes their right to cease or suspend funding due to such event under the financing documents referred to in Section 9 (d) of this Lease Agreement, and does in fact declare a default and ceases to provide required funding to Lessee for at least a 30-day period.

(e) **Termination by Either Party if Conditions are not Met.** If the conditions to the Lease Commencement Date have not been satisfied by [\*], then either Party may elect to terminate the lease of GSAT Spectrum pursuant to this Lease Agreement by sending written notice to the other Party within five days after [\*] (the "Termination Notice"). Such termination will take effect [\*] days after the date of the Termination Notice, if the Lease Commencement Date has not occurred, or the FCC has not approved this Lease, as applicable, by the end of such [\*] day period. The election to terminate under this subsection (e) shall not be available to any Party who is in breach of any of its obligations under the Lease Agreement at such time.

(f) **Notification of Lease Agreement Termination.** Within ten (10) days following the Termination Date, the Lessor will prepare and submit a notification to the FCC consistent with the Communications Laws informing the FCC of the termination of this Lease Agreement.

(g) **Effect of Termination.** In the event of termination of the lease of GSAT Spectrum pursuant to this Lease Agreement, except as otherwise set forth in this Section, all rights and obligations of the Parties under this Lease Agreement will terminate without any further liability of any Party to any other Party (except for any liability of any Party then in willful breach of its covenants, representations, warranties, obligations or agreements hereunder, and except for Lessee's payment obligations pursuant to Section 8 to the extent that such payment obligations arose prior to the effective date of termination). Without limiting the generality of the foregoing, if the termination date occurs as a result of an FCC License being revoked, cancelled, terminated, or if the FCC License otherwise ceases to be in effect, the Lessee will have no continuing authority to use the Leased Spectrum covered by that FCC License, unless otherwise authorized by the FCC. Notwithstanding anything herein to the

contrary, the provisions hereof relating to termination, indemnification, dispute resolution and confidentiality shall expressly survive the termination of this Lease Agreement.

**15. Miscellaneous.**

(a) **Confidentiality.** Except for information (i) required to be disclosed in the Lease Agreement Application, (ii) required to be disclosed by law or by rule of a national securities exchange, (iii) disclosed in a press release agreed to by each Party or (iii) requested by the FCC, no Party will disclose the terms of this Lease Agreement without the other Party's written consent to any other person or entity, other than to each such Party's affiliates, officers, directors, attorneys, accountants and employees involved in the transactions contemplated hereby or in operation of the System, and only then on the condition that such individuals agree in writing not to disclose the information disclosed to them. Notwithstanding the foregoing, either Party may disclose any information contained in the FCC Filing once such FCC Filing has been filed with the FCC. The Parties will implement commercially reasonable measures to ensure that competitive or sensitive information relating to the separate business operations of one Party are not inadvertently disclosed to the other Party. In the event, however, such information is inadvertently received by either Lessor or Lessee with respect to the other, the receiving Party will take commercially reasonable and appropriate steps to prohibit the disclosure or use of any such information that may have been inadvertently obtained as a result of the provision of services under this Lease Agreement to any employee or agent of the receiving Party or an Affiliate thereof involved in any manner with the separate business operations of the receiving Party, or any third party. In addition, notwithstanding the foregoing, Lessee may share this Agreement with the Rural Utilities Service during its final loan application review, and with potential investors or other partners and advisors for the purpose of completing its financing that is required as a condition to the Lease Commencement Date; provided that (x) any such non-governmental party must agree in writing in advance not to disclose this Lease Agreement or the information herein to any other party without Lessor's prior written consent, (y) the Parties request confidential treatment from any governmental agency, and (z) Lessee must provide Lessor with at least 72 hours (not including weekends or holidays) advance notice of the disclosure and allow Lessor to review and comment on the disclosure, and Lessee must take any actions reasonably requested by Lessor to revise the disclosure. Subject to the foregoing provisions, each Party expressly agrees to maintain communications from the other Party pursuant to or in connection with this Lease Agreement in confidence so that the other Party may rely on the safe harbor provisions of Rule 100(b)(2)(ii) of Regulation FD with respect to such communications.

(b) **Dispute Resolution.** The Parties agree to work together to resolve disputes that may arise between them regarding this Agreement. To the extent they are unable to resolve the dispute, they will escalate the issue to the following designated officers of each Party: the chief executive officer, or another senior executive officer designated by the chief executive officer, for the Lessor, and the chief executive officer, or another senior executive officer designated by the chief executive officer, for the Lessee. If the Parties still cannot reach agreement, either Party may invoke the arbitration provisions contained herein. Disputes shall be subject to the

Commercial Arbitration Rules of the American Arbitration Association or pursuant to such other provider of arbitration services or rules as the Parties may agree. Each arbitration will be conducted by a single arbitrator and will be held at a location to be agreed upon by the Parties within Santa Clara County, California. The arbitrator will be selected by the joint written consent of the Parties. If the Parties cannot agree on an arbitrator within thirty (30) days of a demand for arbitration, each Party shall select one proposed arbitrator, and the arbitrator for the dispute will be selected by the joint written consent of the two proposed arbitrators selected by Lessor and Lessee. The Parties will request that the arbitration hearing commence within sixty (60) days of the demand for arbitration. The arbitrator will control the scheduling so as to process the matter expeditiously. The Parties may submit written briefs upon a schedule determined by the arbitrator. The Parties will request that the arbitrator rule on the dispute by issuing a written opinion within thirty (30) days after the close of hearings. The Federal Arbitration Act, 9 U.S.C. §§ 1-16, not state law, shall govern the arbitrability of all disputes. The arbitrator will have no authority to award punitive damages, exemplary damages, consequential damages, multiple damages, or any other damages not measured by the prevailing party's actual damages, and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of the Agreement. The arbitrator shall be knowledgeable of telecommunications issues. The times specified in this Section 15(b) may be extended or shortened upon mutual agreement of the Parties or by the arbitrator upon a showing of good cause. Each Party will bear its own costs of these procedures, including attorneys' fees. The Parties will equally split the fees of the arbitration and the arbitrator. The arbitrator's award shall be final and binding and may be entered in any court having jurisdiction thereof. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The Parties agree that the arbitration process set forth in this Section 15(b) shall be the exclusive means of resolving any dispute regarding this Agreement, except that this Section 15(b) shall not apply to a Determination pursuant to Section 7(c) hereof, and nothing herein shall limit the right of either Party to seek injunctive relief from a court of competent jurisdiction pursuant to Section 15(m) hereof.

(c) **No Public Announcement; Press Releases.** No Party will, without the approval of the other, make any press release or other public announcement (other than as required by law or the rules of a national securities exchange) concerning the transactions contemplated by this Lease Agreement.

(d) **Notices.** All notices or other communications which are required or permitted hereunder will be in writing and sufficient if delivered by registered or certified mail, postage pre-paid, by courier or overnight carrier, or by facsimile transmission (confirmed in hard copy by registered or certified mail or courier or overnight carrier) to the person or entities at the addresses set forth below (or at such other address as may be provided hereunder), and will be deemed to have been delivered as of the date so delivered:

If to Lessor:

Globalstar, Inc.

461 South Milpitas Blvd., Building 5  
Milpitas, CA 95035  
Attention: CEO and General Counsel  
Telephone: 408-933-4000  
Facsimile:

With a copy to (which will not constitute notice):

Taft Stettinius & Hollister LLP  
425 Walnut Street, Suite 1800  
Cincinnati, OH 45202  
Attention: [\*]  
Telephone: [\*]  
Facsimile: [\*]

If to Lessee:

Open Range Communications, Inc.  
6465 South Greenwood Plaza Blvd., Suite 820  
Centennial, CO 80111  
Attention: CEO  
Telephone: 303-376-2111  
Facsimile:

With a copy to (which will not constitute notice):

Drinker Biddle & Reath LLP  
1500 K Street, N.W.  
Washington, DC 20005-1209  
Attention: [\*]  
Telephone: [\*]  
Facsimile: [\*]

or to such other address or addresses as may hereafter be specified by notice given by any of the above to the others. Notices given by United States certified mail as aforesaid will be effective on the third business day following the day on which they are deposited in the mail. Notices delivered in person or by overnight courier will be effective upon delivery. Notices given by facsimile will be effective when transmitted, provided facsimile notice is confirmed by telephone and is transmitted on a business day during regular business hours.

**(e) Successors and Assigns; Sublease Rights.**

(i) This Lease Agreement and the rights and obligations of Lessee hereunder may be assigned by Lessee only if Lessee is in compliance with all of its obligations under the Lease Agreement at such time, and only with the prior written

consent of Lessor, which consent will not be unreasonably withheld. Any merger of Lessee into a third party, or any direct or indirect change in ownership of Lessee in excess of [\*]% of Lessee's voting or capital interest (other than in connection with Lessee's initial financing contemplated by Section 9(d) hereof), shall be deemed to be an assignment of this Lease Agreement and shall require Lessor's consent in compliance with this subsection; provided, however, that the foregoing [\*]% limit shall not apply (but prompt notice to Lessor shall be required) in the case of an acquisition of voting and/or capital interests in Lessee by one or more experienced and reputable financial investors, so long as none of the financial investors owns more than [\*]% of the equity securities of, operates or is directly or indirectly affiliated with an operator of satellite communications facilities or any owner of spectrum assets has the potential to use such spectrum assets to provide ATC service as defined by the current FCC rules.

(ii) Subject to subsection (v) below, Lessee shall be permitted to sublease any Spectrum Usage Rights granted pursuant to the Options without Lessor's consent, so long as Lessee provides at least 30 days' prior written notice to Lessor of Lessee's intent to sublease, including the name of the sublessee and the geographic markets to be covered by the sublease, and so long as Lessee remains liable for all of its obligations under this Lease Agreement (including, without limitation, those relating to any Spectrum Usage Rights subleased). Except as provided in the preceding sentence, Lessee shall not sublease any other Spectrum Usage Rights granted hereunder without Lessor's prior written consent, which consent will not be unreasonably withheld.

(iii) Without limiting the foregoing, Lessor shall not be required to consent to any proposed assignment or sublease of this Lease Agreement by Lessee to any party who, as determined in Lessor's sole discretion, is either (A) not sufficiently creditworthy to meet the payment and indemnity obligations under this Lease Agreement, or (B) an actual or potential competitor of Lessor.

(iv) To the extent that Lessor consents to any assignment by Lessee, or Lessee otherwise assigns its rights hereunder as permitted hereby, such assignee shall execute a written agreement pursuant to which it agrees to be bound by all of the terms and conditions of this Lease Agreement applicable to Lessee. In such event, Lessor and the assignee shall timely prepare and file the appropriate FCC application or notification consistent with applicable requirements of the Communications Laws, and any such assignment shall not become effective until any required FCC consents have been obtained or the applicable waiting periods, if any, have elapsed.

(v) Anything to the contrary in this Lease Agreement notwithstanding, in no event shall Lessor be deemed to have consented to an assignment, and no assignment, sublease, sublicense or other grant of Spectrum Usage Rights by Lessee shall be permitted if it is (i) not in compliance with the Communications Laws and any other applicable laws; (ii) made to a person or entity that is ineligible or unqualified to enter into a spectrum leasing arrangement under the

Communications Laws; or (iii) with respect to an assignment only, made to a person or entity not in privity with Lessor.

(vi) During the term of this Lease Agreement, Lessor shall have the right and ability, without the consent of, but only after notice to, Lessee, to assign its rights and obligations under this Lease Agreement or, subject to Lessee's rights hereunder, sell, transfer, assign, pledge or otherwise dispose of any FCC License.

(f) **Entire Agreement; Amendments.** This Lease Agreement, and all exhibits and schedules referred to herein (which are incorporated herein and made a part of this Lease Agreement by reference) and the documents delivered pursuant hereto, contain the entire understanding of the Parties hereto with regard to the subject matter contained herein or therein, and supersede all prior agreements or understandings among Lessor and Lessee with respect to the rights and performances contemplated herein (including without limitation, the Preliminary Agreement between the Parties [\*]). This Lease Agreement will not be amended, modified or supplemented except by a written instrument signed by authorized representatives of the Lessor and the Lessee.

(g) **Waivers.** No failure by either Party to exercise, and no delay by either Party in exercising, any right or remedy under this Lease Agreement will constitute a waiver of such right, remedy or any other right or remedy under this Lease Agreement. Any waiver by either Party of any right or remedy under this Lease Agreement will be limited to the specific instance and will not constitute a waiver of such right or remedy in the future or of any other right or remedy hereunder.

(h) **Expenses.** Except as otherwise set forth herein, each Party hereto will pay all of its own costs and expenses incident to its negotiation and preparation of this Lease Agreement and the consummation of the transactions contemplated hereby, including the fees, expenses and disbursements of its counsel and advisors. Notwithstanding the above, in the event any Party brings an action in connection with the performance, breach or interpretation of this Lease Agreement, the prevailing Party in any such action will be entitled to recover from the losing Party all reasonable costs and expenses of such action, including attorneys' fees.

(i) **Construction and Interpretation.** No Party will be deemed to be the draftsman hereof. Accordingly, neither this Lease Agreement nor any uncertainty or ambiguity herein will be conclusively construed or resolved against any Party hereto, whether under any rule of construction or otherwise. This Lease Agreement has been reviewed, negotiated and accepted by all Parties. The Parties intend for the rights and obligations hereunder to be enforced and performed on a market-specific basis if it is appropriate in context to do so. Whenever this Lease Agreement refers to "at least" a specific minimum amount of MHz of spectrum, this minimum amount will be deemed to have been satisfied if the actual amount of MHz of spectrum approved or available for use, as applicable, is at least ninety-one and three-tenths percent of the specific amount expressed. Any capitalized term used in any schedule or exhibit hereto but not otherwise defined therein, shall have the meaning ascribed to such term in this Lease

Agreement. Unless the context clearly requires otherwise, whenever the words “include”, “includes”, “including”, “such as”, or terms of similar meaning, are used in this Lease Agreement, they shall be deemed to be followed by the words “without limitation”. The word “extent” in the phrase “to the extent” means the degree to which a subject or other thing extends, and such phrase shall not mean simply “if”. The definitions contained in this Lease Agreement are applicable to the singular as well as the plural forms of such terms.

(j) **Execution in Counterparts.** This Lease Agreement may be executed in one or more counterparts which may be delivered by facsimile, each of which will be considered an original instrument, but all of which will be considered one and the same agreement, and will become binding when one or more counterparts have been signed by each of the Parties hereto and delivered to each of the other Parties hereto.

(k) **Governing Law.** This Lease Agreement will be governed by, enforced and construed in accordance with the laws of the State of Delaware without regard to conflicts of law principles.

(l) **Reserved.**

(m) **Specific Performance.** Notwithstanding anything herein to the contrary, if either Lessor or Lessee fails to perform any of its obligations under this Lease Agreement, the aggrieved Party shall have the right, in addition to all other rights or remedies, to seek specific performance of the terms hereof.

(n) **Headings.** Subject headings are included for convenience only and will not affect the interpretation of any provisions of this Lease Agreement.

(o) **Document Inspection.** Each Party will retain a duly-executed copy of this Lease Agreement (including any amendments thereto) in its files, and will, subject to the confidentiality provisions hereof, provide the FCC or any other governmental body with a photocopy of those portions of this Lease Agreement to the extent requested.

(p) **Severability.** Should any court or agency determine that this Lease Agreement or any provision of this Lease Agreement is invalid, or if the FCC amends its rules or adopts policies that materially affect this Lease Agreement, the Parties agree to use their commercially reasonable efforts to negotiate modifications to this Lease Agreement such that the Lease Agreement is valid and effectuates the intent of the Parties.

(q) **No Partnership.** Nothing contained in this Lease Agreement will be deemed to create a partnership or joint venture between the Parties.

(r) **Interpretation; Reformation.** This Lease Agreement and any other documents and agreements between the Parties referred to herein shall be construed in all respects to comply with all applicable laws, including without limitation the

Communications Laws. If, notwithstanding the foregoing, the FCC determines that this Lease Agreement is inconsistent with the terms and conditions of the FCC Licenses or the Communications Laws, the RUS determines that this Lease Agreement is inconsistent with or does not meet the rules and requirements of that agency or if any governmental body alters the permissibility of this Lease Agreement subsequent to the date of this Lease Agreement under the requirements of law, then the Parties agree to use commercially reasonable efforts to modify this Lease Agreement as necessary to cause this Lease Agreement (as modified) to comply with such new requirements of law and to preserve to the extent possible the economic arrangements set forth in this Lease Agreement.

(s) **Further Assurances.** Each Party will execute and deliver such further documents and take such further actions as the other Party may reasonably request consistent with the provisions hereof in order to effect the intent and purposes of this Lease Agreement.

## 16. Definitions.

Following is a list of certain defined terms used in this Lease Agreement, together with the place in this Lease Agreement where the definition of each such term can be found:

“ATC” – See the recitals to this Lease Agreement.

“Beta Test” – See Section 10(f).

“Beta Test Market” – See Section 10(f).

“Blanket License” – See Section 3(b).

“Buffer Zones” – See Section 10(g).

“Build Out Milestones” – See Section 10(h).

“Claim Notice” – See Section 13(d).

“Communications Laws” – See the recitals to this Lease Agreement.

“Covered Markets” – See Section 10(b)(iii).

“Covered Operators” – See Section 10(c)(ii).

“Covered Operator Lease” – See Section 10(c)(ii).

“Covered Spectrum Lease” – See Section 10(e)(i).

“Determination” – See Section 7(c).

“Down Payments” – See Section 8(a)(i).

“Deferred Pop Markets” – See Section 10(a)(i).

“Escalation Date” – See Section 8(a)(ii).

“Exclusivity Period” – See Section 10(d)(i).

“Expenses” – See Section 13(a).

“FAA” – See Section 2(a)(ii).

“Facility Filing” – See Section 6(b).

“FCC” – See the recitals to this Lease Agreement.

“FCC Filing” – See Section 6(a).

“FCC License” – See the recitals to this Lease Agreement.

“Final Order” – See Section 12(b).

“Fixed Lease Payments” – See Section 8(a)(i).

“Forfeited Markets” – See Section 10(h).

“GSAT Spectrum” – See the recitals to this Lease Agreement.

“Indemnified Party” – See Section 13(d).

“Indemnitor” – See Section 13(d).

“Initial Markets” – See Section 1(a).

“Initial Term” – See Section 7(a).

“Lease Commencement Date” – See Section 7(a).

“Lease Filing” – See Section 6(a).

“Leased Spectrum” – See Section 1(a).

“Leased Territories” – See the recitals to this Lease Agreement.

“Lessee” – See the initial paragraph of this Lease Agreement.

“Lessee Markets” – See Section 10(a)(iv).

“Lessor” – See the initial paragraph of this Lease Agreement.

“Losses” – See Section 13(a).

“NPV” – See Section 10(b)(ii).

“Offer” – See Section 10(b)(iii).

“Option” – See Section 10(b)(i).

“Option Lease Payments” – See Section 10(b)(ii).

“Option Market” – See Section 10(b)(i).

“ORC Services” – See Section 10(b).

“Partial Termination” – See Section 14(b).

“Party” – See the initial paragraph of this Lease Agreement.

“place” – See Section 1(a).

“Pops” – See Section 1(a).

“Pops ROFR” – See Section 10(a)(iii).

“Pops ROFR Period” – See Section 10(a)(iii).

“Renewal Term” – See Section 7(b).

“Representatives” – See Section 10(d)(i).

“ROFR Markets” – See Section 10(b)(iii).

“Rural Operators” – See Section 10(c)(i).

“RUS” – See Section 10(d)(i).

“Sharing Obligations” – See Section 14(b).

“Spectrum Usage Rights” – See Section 1(a).

“Subleased Spectrum” – See Section 10(c)(ii).

“System” – See the recitals to this Lease Agreement.

“System Equipment” – See Section 2(b).

“Termination Notice” – See Section 14(e).

[\*]

“Variable Lease Payments” – See Section 8(a)(ii).

“Waiver Filings” – See Section 6(a).

**[remainder of this page intentionally left blank — signature page follows]**

**IN WITNESS WHEREOF**, the Parties hereto have caused this Lease Agreement to be executed on the day and year first above written.

LESSOR

GLOBALSTAR LICENSEE LLC

By:  /s/ Fuad Ahmad

Name:  Fuad Ahmad

Title:  VP & CFO

LESSEE

OPEN RANGE COMMUNICATIONS, INC.

By:  /s/ William S. Beans, Jr.

Name:  William S. Beans, Jr.

Title:  CEO

**Certification of Chief Executive Officer**

I, James Monroe III, certify that:

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

Date: May 9, 2008

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

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**Certification of Chief Financial Officer**

I, Fuad Ahmad, certify that:

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

Date: May 9, 2008

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

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

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

This quarterly report on Form 10-Q for the quarter ended March 31, 2008 of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 9, 2008

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

Dated: May 9, 2008

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

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