Globalstar, Inc.
Form 10-Q
November 10, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from to

Commission file number 001-33117

GLOBALSTAR, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

461 South Milpitas Blvd.
Milpitas, California 95035

(Address of principal executive offices and zip code)

(408) 933-4000

Registrant s telephone number, including area code

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

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

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

Indicate the number of shares outstanding of each of the issuer s classes of Common Stock, as of the latest practicable date. As of November 4, 2008, 119,773,472 shares of Common Stock, par value $0.0001 per share, were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBALSTAR, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenue:				
Service revenue	$ 16,150	$ 21,263	$ 48,833	$ 58,713
Subscriber equipment sales	6,375	4,425	18,825	15,966
Total revenue	22,525	25,688	67,658	74,679
Operating expenses:				
Cost of services (exclusive of depreciation and amortization shown separately below)	10,452	7,307	26,534	20,428
Cost of subscriber equipment sales:				
Cost of subscriber equipment sales	4,942	3,390	14,050	11,398
Cost of subscriber equipment sales Impairment of assets			404	17,255
Total cost of subscriber equipment sales	4,942	3,390	14,454	28,653
Marketing, general, and administrative	17,372	12,069	48,602	34,185
Depreciation and amortization	7,196	3,264	19,135	8,225
Total operating expenses	39,962	26,030	108,725	91,491
Operating loss	(17,437)	(342)	(41,067)	(16,812)
Other income (expense):				
Interest income	1,474	734	4,407	2,253
Interest expense	(1,285)	(341)	(2,754)	(1,037)
Interest rate derivative loss	(229)	(2,297)	(25)	(751)
Other	(6,587)	3,827	1,587	4,874
Total other income (expense)	(6,627)	1,923	3,215	5,339
Income (loss) before income taxes	(24,064)	1,581	(37,852)	(11,473)
Income tax expense	2,039	929	2,234	118
Net income (loss)	$ (26,103)	$ 652	$ (40,086)	$ (11,591)
Income (loss) per common share:				
Basic	$ (0.31)	$ 0.01	$ (0.48)	$ (0.15)
Diluted	(0.31)	0.01	(0.48)	(0.15)
Weighted-average shares outstanding:				
Basic	84,631	78,000	83,711	75,614
Diluted	84,631	79,044	83,711	75,614

See accompanying notes to unaudited interim consolidated financial statements.

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GLOBALSTAR, INC.
CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)
(Unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,937	$ 37,554
Accounts receivable, net of allowance of $5,701 (2008) and $4,177 (2007)	15,279	12,399
Inventory	64,849	54,939
Advances for inventory	9,313	9,769
Deferred tax assets	604	1,257
Prepaid expenses and other current assets	6,867	3,262
Total current assets	109,849	119,180
Property and equipment:		
Spare satellites and related launch costs		47,848
Second-generation satellites, launch costs and ground segment	435,218	147,998
Globalstar System, net	122,753	84,939
Other property and equipment, net	12,812	9,318
	570,783	290,103
Other assets:		
Restricted cash	104,722	80,871
Deferred tax assets	19,049	20,303
Other assets, net	15,174	2,518
Total assets	$ 819,577	$ 512,975
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 35,952	$ 8,400
Accrued expenses	39,543	17,650
Payables to affiliates	3,119	1,487
Deferred revenue	19,740	19,396
Total current liabilities	98,354	46,933
Borrowings under revolving credit facility	35,000	50,000
Long term debt	100,000	
Long term convertible senior notes	150,000	
Employee benefit obligations, net of current portion	1,422	1,779
Other non-current liabilities	54,583	8,719
Total non-current liabilities	341,005	60,498
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, 118,419 shares issued and outstanding at September 30, 2008 and 83,693 shares issued and outstanding at December 31, 2007	12	8
Additional paid-in capital	424,443	407,743
Accumulated other comprehensive income	1,467	3,411

Retained deficit		(45,704)		(5,618)
Total ownership equity		380,218		405,544
Total liabilities and shareholders equity	$	819,577	$	512,975

See accompanying notes to unaudited interim consolidated financial statements.

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GLOBALSTAR, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Cash flows from operating activities:		
Net loss	$ (40,086)	$ (11,591)
Adjustments to reconcile net loss to net cash from operating activities:		
Deferred income taxes	1,800	(510)
Depreciation and amortization	19,135	8,225
Interest rate derivative loss	25	751
Stock-based compensation expense	10,318	5,409
Loss (gain) on disposal of fixed assets	59	(137)
Provision for bad debts	1,871	425
Interest income on restricted cash	(3,526)	(1,557)
Contribution of services	337	315
Cost of subscriber equipment sales - impairment of assets	404	17,255
Amortization of deferred financing costs	514	332
Loss in equity method investee	105	
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(4,931)	5,132
Inventory	(13,871)	(25,447)
Advances for inventory	(74)	6,607
Prepaid expenses and other current assets	1,219	(429)
Other assets	(1,035)	327
Accounts payable	1,665	(8,549)
Payables to affiliates	1,722	128
Accrued expenses and employee benefit obligations	(3,504)	(4,036)
Other non-current liabilities	1,075	(109)
Deferred revenue	804	(4,152)
Net cash from operating activities	(25,974)	(11,611)
Cash flows from investing activities:		
Spare and second-generation satellites and launch costs	(199,525)	(125,850)
Second-generation ground	(5,294)	
Property and equipment additions	(4,551)	(2,702)
Proceeds from sale of property and equipment	141	263
Payment for intangible assets		(214)
Investment in businesses	(2,000)	
Cash acquired on purchase of subsidiary	1,839	
Restricted cash	(18,298)	
Net cash from investing activities	(227,688)	(128,503)
Cash flows from financing activities:		
Proceeds from revolving credit loan	35,000	
Payment of principal on notes payable		(273)
Borrowings from long-term convertible senior notes	150,000	
Borrowings from long term debt	100,000	
Repayment of revolving credit loan	(50,000)	
Proceeds from irrevocable standby stock purchase agreement		140,255
Deferred financing cost payments	(4,880)	(1,533)
Reduction in derivative margin account balance requirements	159	

Net cash from financing activities		230,279		138,449
Effect of exchange rate changes on cash		(1,234)		(5,694)
Net decrease in cash and cash equivalents		(24,617)		(7,359)
Cash and cash equivalents, beginning of period		37,554		43,698
Cash and cash equivalents, end of period	$	12,937	$	36,339
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	$	5,502	$	2,301
Income taxes	$	994	$	84
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	$	27,481	$	347
Capitalization of interest for spare and second-generation satellites and launch costs	$	10,460	$	
Vendor financing of second-generation Globalstar System	$	48,215	$	

See accompanying notes to unaudited interim consolidated financial statements.

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GLOBALSTAR, INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1: The Company and Summary of Significant Accounting Policies

Nature of Operations

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

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

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

Basis of Presentation

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

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

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

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

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Other income (expense) includes foreign exchange transaction gains (losses) of $(6.5) million and $1.6 million for the three and nine months ended September 30, 2008, respectively, and $3.8 million and $4.9 million for the three and nine months ended September 30, 2007, respectively.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (the FASB) issued Statement of Financial Standards No. 157, Fair Value Measurements (SFAS No. 157), which clarifies the definition of fair value, establishes guidelines for measuring fair value, and expands disclosures regarding fair value measurements. SFAS No. 157 does not require any new fair value measurements and eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS No. 157 initially was to be effective for the Company on January 1, 2008. However, on February 12, 2008, the FASB approved FASB Staff Position (FSP) FAS 157-2, which delays the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement No. 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for items within the scope of this FSP. On January 1, 2008, the Company adopted the provisions of SFAS No. 157 that relate to establishing guidelines for measuring fair value of financial assets and liabilities and non-financial assets and non-financial liabilities that are recognized at fair value on a recurring basis. This adoption did not have a material impact on the Company s financial position, results of operations, or cash flows.

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

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

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

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

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Note 2: Basic and Diluted Loss Per Share

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

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

	Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount
Basic and Dilutive loss per common share						
Net loss	$ (26,103)	84,631	$ (0.31)	$ (40,086)	83,711	$ (0.48)

	Three Months Ended September 30, 2007			Nine Months Ended September 30, 2007		
	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount	Income (Numerator)	Weighted Average Shares Outstanding (Denominator)	Per-Share Amount
Basic income (loss) per common share						
Net income (loss)	$ 652	78,000	$ 0.01	$ (11,591)	75,614	$ (0.15)
Effect of Dilutive Securities						
Stock Options to Director		88				
GAT acquisition		536				
Unvested restricted stock		420				
Diluted income (loss) per common share	$ 652	79,044	$ 0.01	$ (11,591)	75,614	$ (0.15)

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

Shares issued under the Share Lending Agreement (31.4 million shares at September 30, 2008) are excluded from the computation of earnings per share (Note 13).

Note 3: Acquisitions

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

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

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

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Note 4: Property and Equipment

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

	September 30, 2008	December 31, 2007
Globalstar System:		
Space segment	$ 132,983	$ 85,142
Ground segment	27,822	21,530
Second-generation satellites and related launch costs	428,998	147,998
Second-generation ground segment	6,263	
Spare satellites and related launch costs		47,848
Furniture and office equipment	16,872	14,417
Land and buildings	3,079	2,478
Leasehold improvements	705	717
Construction in progress	3,710	1,132
	620,432	321,262
Accumulated depreciation	(49,649)	(31,159)
	$ 570,783	$ 290,103

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

On November 30, 2006, the Company entered into a contract with Thales Alenia Space (formerly known as Alcatel Alenia Space France) to construct 48 low-earth orbit satellites. The total contract price, including subsequent additions, is approximately 669.6 million (approximately $946.7 million at a weighted average conversion rate of 1.00 = $1.4139 at September 30, 2008) including approximately 146.8 million which was 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 September 30, 2008, $72.8 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 ($9.7 million to $19.4 million at 1.00 = $1.4449). In 2007, the Company authorized the first two portions of the Thales four-part sequential plan with an additional cost of 4.1 million ($5.9 million at 1.00 = $1.4449). In October 2008, the Company authorized the third portion of the sequential plan with an additional cost of 0.9 million ($1.3 million at 1.00 = $1.4449). The Company cannot provide assurance that the remaining acceleration will occur.

In March 2007, the Company and Thales Alenia Space entered into an agreement for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the Control Network Facility) for the Company s second-generation satellite constellation. This agreement complements the second-generation satellite construction contract between Globalstar and Thales Alenia Space for the construction of 48 low-earth orbit satellites and allows Thales Alenia Space to coordinate all aspects of the second-generation satellite constellation project, including the transition of first-generation software and hardware to equipment for the second generation. The total contract price for the construction and associated services is 9.1 million (approximately $13.1 million at a weighted average conversion rate of 1.00 = $1.4345) consisting of 4.0 million for the Satellite Operations Control Centers, 3.1 million for the Telemetry

Command Units and 2.0 million for the In Orbit Test Equipment, with payments to be made on a quarterly basis through completion of the Control Network Facility in late 2009. Globalstar has the option to terminate the contract if excusable delays affecting Thales Alenia Space s ability to perform the contract total six consecutive months or at its convenience. If Globalstar terminates the contract, it must pay Thales Alenia Space the lesser of its unpaid costs for work performed by Thales Alenia Space and its subcontractors or payments for the next two quarters following termination. If Thales Alenia Space has not completed the Control Network Facility acceptance review within 60 days of the due date, Globalstar will be entitled to certain liquidated damages. Failure to complete the Control Network Facility acceptance review on or before six months after the due date results in a default by Thales Alenia Space, entitling Globalstar to a refund of all payments, except for liquidated damage amounts previously paid or with respect to items where final delivery has occurred. The Control Network Facility, when accepted, will be covered by a limited one-year warranty. The contract contains customary arbitration and indemnification provisions.

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On September 5, 2007, the Company and Arianespace (the Launch Provider) entered into an agreement for the launch of the Company s second-generation satellites and certain pre and post-launch services. Pursuant to the agreement, the Launch Provider will make four launches of six satellites each, and the Company has the option to require the Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is approximately $210.1 million. On July 5, 2008, the Company amended its agreement with its Launch Provider for the launch of the Company s second-generation satellites and certain pre and post-launch services. Under the amended terms, the Company can defer payment on up to 75% of certain amounts due to the Launch Provider. The deferred payments will incur annual interest at 8% to 12%. See Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Capital Expenditures for a schedule of the payments to the Launch Provider. The anticipated time period for the first four launches ranges from the third quarter of 2009 through the end of 2010 and the optional launches are available from spring 2010 through the end of 2014. Prolonged delays due to postponements by the Company or the Launch Provider may result in adjustments to the payment schedule.

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

On May 14, 2008, the Company and Hughes Network Systems, LLC (Hughes) entered into an agreement under which Hughes will design, supply and implement the Radio Access Network (RAN) ground network equipment and software upgrades for installation at a number of the Company s satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in various next-generation Globalstar devices. The total contract purchase price of approximately $100.8 million is payable in various increments over a period of 40 months. The Company has the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. The RANs, when completed, will be covered by a limited one-year warranty, with an option for the Company to extend the warranty. The agreement contains customary arbitration and indemnification provisions. Future costs associated with certain projects under this contract will be capitalized once the Company has determined that technological feasibility has been achieved on these projects.

As of September 30, 2008 and December 31, 2007, capitalized interest recorded was $14.8 million and $1.1 million, respectively. Interest capitalized during the three and nine months ended September 30, 2008 was $5.4 million and $13.7 million, respectively. No interest was capitalized during the three and nine months ended September 30, 2007. Depreciation expense for the three and nine months ended September 30, 2008 was $7.2 million and $19.0 million, respectively, and $3.2 million and $8.1 million for the three and nine months ended September 30, 2007, respectively.

Note 5: Payables to Affiliates

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

	September 30, 2008	December 31, 2007
QUALCOMM	$ 2,912	$ 1,286
Thermo Capital Partners	207	201
	$ 3,119	$ 1,487

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the three and nine months ended September 30, 2008, total expenses were approximately $57,000 and $167,000, respectively, and $45,000 and $143,000 for the three and nine months ended September 30, 2007, respectively.

For the three and nine months ended September 30, 2008, the Company also recorded approximately $112,000 and $337,000, respectively, of non-cash expenses related to services provided by two executive officers of Thermo and the Company who receive no compensation from the Company, which were accounted for as a contribution to capital. For the three and nine months ended September 30, 2007, the Company recorded $141,000 and $315,000, respectively, of expenses related to services provided by officers of Thermo, which were accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts incurred or upon allocated employee time. Management believes the allocations are reasonable.

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Note 6: Other Related Party Transactions

Since 2005, Globalstar has issued separate purchase orders for additional phone equipment and accessories under the terms of previously executed commercial agreements with QUALCOMM. Within the terms of the commercial agreements, the Company paid QUALCOMM approximately 7.5% to 25% of the total order as advances for inventory. As of September 30, 2008 and December 31, 2007, total advances to QUALCOMM for inventory were $9.2 million and $9.7 million, respectively. As of September 30, 2008 and December 31, 2007, the Company had outstanding commitment balances of approximately $50.4 million and $57.0 million, respectively. On October 28, 2008, the Company amended its agreement with QUALCOMM to extend the term for 12 months and defer delivery of mobile phones and related equipment until 2010.

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 September 30, 2008, the Company had drawn $35.0 million of the revolving credit facility and $100.0 million of the delayed draw term loan facility was outstanding. As of December 31, 2007, the Company had drawn $50.0 million of the revolving credit facility but none of the delayed draw term loan was outstanding.

All loans will mature on December 31, 2012. Revolving credit loans bear interest at LIBOR plus 4.25% to 4.75% or the greater of the prime rate or Federal Funds rate plus 3.25% to 3.75%. The delayed draw term loan bears interest at either 5% plus the greater of the prime rate and the Federal Funds rate plus 0.5%, or LIBOR plus 6%. The delayed draw term loan facility bore an annual commitment fee of 2.0% until drawn or terminated. Commitment fees related to the loans, incurred during the three and nine months ended September 30, 2008 were less than $0.1 million and $0.3 million, respectively. Commitment fees related to the loans, incurred during the three and nine months ended September 30, 2007, were $0.6 million and $1.7 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. On September 29, 2008, the Company and Thermo agreed that, effective May 26, 2008, all payment of interest on the debt will be deferred until 45 days after Thermo provides notice that the interest is then payable. Interest would accrue on this outstanding interest at the same rate as the underlying loan and be compounded on December 31, 2008 and annually thereafter.

Purchases and other transactions with Affiliates

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
QUALCOMM	$ 3,119	$ 9,794	$ 9,023	$ 32,486
Other affiliates	29	6,326	1,597	13,690
Total	$ 3,148	$ 16,120	$ 10,620	$ 46,176

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Note 7: Income Taxes

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

The application of FIN 48 resulted in a cumulative adjustment of $0.6 million which decreased retained earnings. This decrease was a result of an unrecognized tax benefit of approximately $73.7 million which was substantially offset by the application of a valuation allowance. The unrecognized tax benefit of $74.5 million at December 31, 2007 did not change significantly during the three and nine months ended September 30, 2008. In addition, future changes in the unrecognized tax benefit may not have an impact on the effective tax rate due to the existence of the valuation allowances on most of the Company s deferred tax assets. At September 30, 2008, the Company determined, based on its evaluation of current evidence and its effect on its estimate of future taxable income that it was necessary to provide a full valuation allowance against its Canadian subsidiary s deferred tax assets. Accordingly, the Company increased its deferred tax valuation allowance by $2.1 million with respect to its deferred tax assets,

The Company has been notified that one of its subsidiaries and its predecessor, Globalstar L.P. are currently under audit for the 2004 and 2005 tax years. During the audit period, the Company and its subsidiaries were taxed as partnerships. Neither the Company nor any of its subsidiaries, except for the one noted above, are currently under audit by the Internal Revenue Service (IRS) or by any state jurisdiction in the United States with respect to Income Taxes. 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 (Loss)

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	**2007**	**2008**	**2007**
Net income (loss)	$ (26,103)	$ 652	$ (40,086)	$ (11,591)
Other comprehensive income:				
Foreign currency translation adjustments	(488)	1,488	(1,944)	4,184

Minimum pension liability adjustment								(203)
Total comprehensive income (loss)	$	(26,591)	$	2,140	$	(42,030)	$	(7,610)

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 0.1 million and 2.1 million restricted stock awards and restricted stock units (including grants to both employees and executives) were granted during the three and nine months ended September 30, 2008, respectively. In January 2008, the Company s Board of Directors approved the addition of approximately 1.7 million shares of the Company s Common Stock to the shares available for issuance under the Equity Plan. The Company s stockholders approved the Amended and Restated Equity Plan on May 13, 2008, which added an additional 3.0 million shares of the Company s Common Stock to the shares available for issuance under the Equity Plan.

Note 10: Litigation and Other Contingencies

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

On February 9, 2007, the first of three purported class action lawsuits was filed against the Company, its Chief Executive Officer (CEO) and its Chief Financial Officer (CFO) in the United States District Court for the Southern District of New

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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 cites a drop in the trading price of the Company s Common Stock that followed its filing, on February 5, 2007, of a Current Report on Form 8-K relating in part to changes in the condition of its satellite constellation. It seeks, on behalf of a class of purchasers of the Company s Common Stock who purchased shares in the IPO, recovery of damages under Sections 11 and 15 of the Securities Act of 1933, and rescission under Section 12(a)(2) of the Securities Act of 1933. On February 15, 2008, all of the defendants filed motions to dismiss the Second Amended Complaint. The plaintiff s response to these motions was filed on April 15, 2008, and defendants reply memorandum was filed May 15, 2008. On September 30, 2008, the presiding judge dismissed all of the plaintiff s claims with prejudice. The plaintiff filed a notice of appeal to the Second Circuit Court of Appeals on October 29, 2008.

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. A hearing on Globalstar s motion for summary judgment was held on October 29, 2008. The judge deferred hearing plaintiffs motion for class certification.

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

On February 5, 2008, the Company filed a Petition for Review in the U.S. Court of Appeals for the District of Columbia Circuit of the FCC s November 9, 2007, Second Order on Reconsideration and Second Report and Order (the Second Report) in IB Docket No. 02-364. The Second Report, among other things, reassigned the L-band spectrum in the 1610-1626.5 MHz frequency band between the Company and Iridium Satellite LLC, reducing Globalstar s spectrum and increasing Iridium s. The Company filed its brief on September 17, and the FCC filed its brief on October 17. The Company s reply brief is due on November 18. The Company cannot predict whether the court will rule in its favor or when a decision may be issued.

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

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

Note 11: Geographic Information

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

	Three months ended September 30,		Nine months ended September 30,	
	2008	2007	2008	2007
Service:				
United States	$ 8,233	$ 11,922	$ 24,908	$ 32,175
Canada	5,018	7,047	16,140	20,391
Europe	946	1,431	3,018	3,498
Central and South America	1,747	559	4,165	1,788
Others	206	304	602	861
Total service revenue	16,150	21,263	48,833	58,713
Subscriber equipment:				
United States	3,742	1,298	9,730	6,351
Canada	1,632	1,522	5,644	4,259
Europe	115	1,163	1,534	4,066
Central and South America	685	255	1,677	714
Others	201	187	240	576
Total subscriber equipment revenue	6,375	4,425	18,825	15,966
Total revenue	$ 22,525	$ 25,688	$ 67,658	$ 74,679

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Note 12: Interest Rate Derivative

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

		Fair Value Measurements at September 30, 2008 using			
(In Thousands)	**December 31, 2007**	**Quoted Prices in Active Markets for Identical Instruments (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Balance**
Other non-current liabilities:					
Interest rate derivative	$ 5,949	$	$ 5,974	$	$ 5,974
Total non-current liabilities measured at fair value	$ 5,949	$	$ 5,974	$	$ 5,974

The increases in fair value of the interest rate swap agreement liability, for the three and nine months ended September 30, 2008, of approximately $0.2 million and less than $0.1 million, respectively, were recognized as Interest rate derivative loss in the accompanying Consolidated Statements of Operations.

Note 13: Recent Public Offerings

Convertible Senior Note Offering

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

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

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

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

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

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

Holders may convert their Notes at their option at any time prior to the close of business on the business day immediately preceding April 1, 2028. The Notes are convertible into shares of Common Stock, subject to the Company s option to deliver cash in lieu of all or a portion of the shares. The Notes are convertible at an initial conversion rate of 166.1820 shares of Common Stock per $1,000 principal amount of Notes, subject to adjustment in the manner set forth in the Supplemental Indenture. The conversion rate may not exceed 240.9638 shares of Common Stock per $1,000 principal amount of Notes, subject to adjustment. In addition to receiving the applicable amount of shares of Common Stock or cash in lieu of all or a portion of the shares, holders of Notes who convert their Notes prior to April 1, 2011 will receive the cash proceeds from the sale by the Escrow Agent of the portion of the government securities in the escrow account that are remaining with respect to any of the first six interest payments that have not been made on the Notes being converted. See Note 14.

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

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

- Any person or group (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person shall be deemed to have beneficial ownership of all shares that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of voting stock representing 50% of more (or if such person is Thermo Capital Partners LLC, 70% or more) of the total voting power of all outstanding voting stock of the Company;

- The Company consolidates with, or merges with or into, another person or the Company sells, assigns, conveys, transfers, leases or otherwise disposes of all or substantially all of its assets to any person;

- The adoption of a plan of liquidation or dissolution of the Company; or

- The Company s common stock (or other common stock into which the Notes are then convertible) is not listed on a United States national securities exchange or approved for quotation and trading on a national automated dealer quotation system or established automated over-the-counter trading market in the United States.

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

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

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

- If the actual stock price on the effective date is between two stock prices in the table or the actual effective date is between two effective dates in the table, the amount of the base conversion rate adjustment will be determined by straight-line interpolation between the adjustment amounts set forth for the higher and lower stock prices and the earlier and later effective dates, as applicable, based on a 365-day year;

- If the actual stock price on the effective date exceeds $100.00 per share of the Company s common stock (subject to adjustment), no adjustment to the base conversion rate will be made; and

- **If the actual stock price on the effective date is less than $4.15 per share of the Company s common stock (subject to adjustment), no adjustment to the base conversion rate will be made.**

· If the actual stock price on the effective date is less than $4.15 per share of the Company s common st

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

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

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

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

Common Stock Offering and Share Lending Agreement

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

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result of conversion, redemption, repurchase, cancellation, at maturity or otherwise, (ii) the written agreement of the Company and the Borrower to terminate, (iii) the occurrence of a Borrower default, at the option of Lender, and (iv) the occurrence of a Lender default, at the option of the Borrower. Pursuant to the Share Lending Agreement, upon the termination of the share loan, the Borrower must return the Borrowed Shares to the Company. The only exception would be that, if pursuant to a merger, recapitalization or reorganization, the Borrowed Shares were exchanged for or converted into cash, securities or other property (Reference Property), the Borrower would return the Reference Property. Upon the conversion of Notes (in whole or in part), a number of Borrowed Shares proportional to the conversion rate for such notes must be returned to the Company. In no event will the Borrower retain the Borrowed Shares.

On April 10, 2008, the Company entered into an underwriting agreement (the Equity Underwriting Agreement) with the Borrower and the Borrowing Agent. Pursuant to and upon the terms of the Share Lending Agreement, the Company will issue and lend the Borrowed Shares to the Borrower as a share loan. The Borrowing Agent also is acting as an underwriter (the Equity Underwriter) with respect to the Borrowed Shares, which are being offered to the public. The Borrowed Shares include 21,936,020 shares of Common Stock initially loaned by the Company to the Borrower pursuant to Section 2(a) of the Underwriting Agreement, an aggregate of 10,000,000 shares of Common Stock loaned by the Company to the Borrower on two separate occasions pursuant to Borrowing Notices dated as of April 15, 2008 and August 13, 2008, delivered pursuant to the Share Lending Agreement and the Underwriting Agreement, and an additional 4,208,550 shares of Common Stock that, from time to time, may be borrowed from the Company by the Borrower pursuant to the Share Lending Agreement and the Underwriting Agreement and subsequently offered and sold at prevailing market prices at the time of sale or negotiated prices. The sale of the Borrowed Shares was registered under the S-3 (33-149798). The Company used two prospectus supplements for the transaction, one for the sale of the Notes (and the underlying Common Stock) and the other for the sale of the Borrowed Shares. The Company filed the prospectus supplement for the sale of the Borrowed Shares pursuant to Rule 424(b) (3) on April 2, 2008 and pursuant to Rule 424(b) (5) on April 14, 2008. Hence the Borrowed Shares are free trading shares.

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

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

- To pay, within one business day after the relevant payment date, to the Company an amount equal to any cash dividends that the Company pays on the Borrowed Shares; and

- To pay or deliver to the Company, upon termination of the loan of Borrowed Shares, any other distribution, in liquidation or otherwise, that the Company makes on the Borrowed Shares.

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

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

The Company evaluated the various embedded derivatives within the Indenture for bifurcation from the Notes under the provisions of FASB s Statement of Financial Standards No.133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), Emerging Issues Task Force Issue No. 01-6, The Meaning of Indexed to a Company s Own Stock (EITF 01-6) and Emerging Issues Task Force Issue No. 00-19, Accounting for Derivative Financial Instruments

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Indexed to, and Potentially Settled in, a Company s Own Stock (EITF 00-19). Based upon its detailed assessment, the Company concluded that these embedded derivatives were either (i) excluded from bifurcation as a result of being clearly and closely related to the Notes or are indexed to the Company s Common Stock and would be classified in stockholders equity if freestanding or (ii) the fair value of the embedded derivatives was estimated to be immaterial.

Note 14: Subsequent Events

On October 8, 2008, the Company signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. According to the $22.7 million contract, Ericsson will work with the Company to develop, implement and maintain a ground interface, or core network, system that will be installed at Globalstar s satellite gateway ground stations. The all Internet Protocol (IP) based core network system is wireless 3G/4G compatible and will link the Company s radio access network to the public-switched telephone network (PSTN) and/or Internet. Design of the new core network system is now underway.

On October 15, 2008, the FCC released an Order of Modifications (Order) modifying both the Company s and Iridium s satellite constellation licenses consistent with its Second Report. See Note 10. The FCC s Order, which is effective December 14, 2008, reduces the Company s spectrum assignment not only in the U.S. but globally. The FCC invited the Company to file applications for waiver of the Order in the event that the Order would cause particular hardship. The Company has not yet decided how to respond to the Order.

On October 28, 2008, the Company amended its agreement with QUALCOMM to extend the term for 12 months and defer delivery of mobile phones and related equipment until 2010.

On October 31, 2008, the FCC released an order authorizing us to implement the Company s agreement with Open Range Communications, Inc, to provide WiMax service in rural communities as an ancillary terrestrial component of the Company s satellite service.

Holders of $36 million aggregate principal amount, or 24%, of the outstanding 5.75% Convertible Senior Notes due 2028 (Notes) of the Company have submitted notices of conversion to the trustee in order to convert their Notes into Common Stock in accordance with the terms of the indenture governing the Notes. The Company expects to issue approximately 6.0 million shares of its Common Stock and pay a nominal amount of cash for fractional shares when the conversion of these Notes is completed over the conversion reference period. In addition, the holders are entitled to receive an early conversion make whole amount of approximately $5.2 million representing the next five semi-annual interest payments that would have become due on the converted Notes, which will be paid from funds in an escrow account for the benefit of the holders of Notes. After this conversion, $114 million aggregate principal amount of Notes will remain outstanding. The Company s aggregate cash interest cost savings through maturity resulting from these conversions will be approximately $35.2 million.

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, should, will, would, will be, will continue, will likely result, and similar expressions, although not all forward-looking statements contain 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 obtain additional financing, 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

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uncertainties that could cause or contribute to such differences include, without limitation, those in Part II. Item 1A. Risk Factors in this Report or 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.

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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;
- a general reduction in prices of user equipment; and
- with the addition of our retail product line we are exposed to current consumer spending and consumer confidence.

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

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

To date, we have managed the two-way communication issue in various technical ways, including moving less impaired satellites to key orbital positions and launching eight spare satellites. Nonetheless, we have been unable to correct our two-way communication issues. As of September 30, 2008, we have decommissioned 10 of our original 52 satellites.

Although the rate of degradation of the S-band antennas has slowed since 2007, we continue to believe that the quality of two-way communication services will continue to decline, and by some time in early 2009 we anticipate that all of our satellites launched between 1998 and 2000, but not those satellites launched in 2007, will cease to be able to support two-way communications. Simplex data services, including our new SPOT satellite messenger products and services, will not be affected.

We continue to work on plans, including new products and services and pricing programs to mitigate the effects of reduced service availability upon our customers and operations. Among other things, we requested Thales Alenia Space to present a plan for accelerating delivery of the initial 24 satellites of our second-generation constellation by up to four months. In 2007, we accepted the first two portions of the Thales four-part sequential plan. In October, 2008, we accepted the third portion of the four-part sequential plan. See Part II, Item 1A. Risk Factors.

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• *Competition and pricing pressures.* We face increased competition from both the expansion of terrestrial-based cellular phone systems and from other mobile satellite service providers. We believe Inmarsat plans to commence offering satellite services to handheld devices in the United States in 2009, and several competitors, such as ICO Global Communications Company, are constructing geostationary satellites to provide mobile satellite service. The increased number of competitors, and the introduction of new services and products by competitors, increases competition for subscribers and pressures all providers, including us, to reduce prices. Increased competition may result in loss of subscribers, decreased revenue, decreased gross margins, higher churn rates, and, ultimately, decreased profitability and cash.

• *Technological changes.* It is difficult for us to respond promptly to major technological innovations by our competitors because substantially modifying or replacing our basic technology, satellites or gateways is time-consuming and very expensive. Approximately 70% of our total assets at September 30, 2008 represented fixed assets. Although we plan to procure and deploy our second-generation satellite constellation and upgrade our gateways and other ground facilities, we may nevertheless become vulnerable to the successful introduction of superior technology by our competitors.

• *Capital expenditures.* We have incurred significant capital expenditures from 2006 to 2008, and we expect to incur additional significant expenditures through 2013 under the following commitments:

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

In November, 2006, we entered into a contract with Thales Alenia Space for the construction of our second-generation constellation. The total contract price, including subsequent additions, will be approximately 669.6 million (approximately $946.7 million at a weighted average conversion rate of 1.00 = $1.4139 at September 30, 2008, including approximately 146.8 million paid by us in U.S. dollars at a fixed conversion rate of 1.00 = $1.2940). We have made aggregate payments of approximately 217.7 million (approximately $294.4 million) through September 30, 2008 under this contract. At our request, Thales Alenia Space has presented to us a plan for accelerating delivery of the initial 24 satellites by up to four months. The expected cost of this acceleration will range from approximately 6.7 million to 13.4 million ($9.7 million to $19.4 million at 1.00 = $1.4449). In 2007, we accepted the first two portions of the Thales four-part sequential acceleration plan with an additional cost of 4.1 million ($5.9 million at 1.00 = $1.4449). In October 2008, the Company authorized the third portion of the sequential plan with an additional cost of 0.9 million ($1.3 million at 1.00 = $1.4449). We cannot provide assurance that any of the remaining acceleration will occur.

In March 2007, we entered into a 9.1 million (approximately $13.1 million at a weighted average conversion rate of 1.00 = $1.4345) agreement with Thales Alenia Space for the construction of the Satellite Operations Control Centers, Telemetry Command Units and In Orbit Test Equipment (collectively, the Control Network Facility) for our second-generation satellite constellation. We have made aggregate payments under this contract of approximately 6.7 million (approximately $9.9 million) through September 30, 2008.

In September, 2007, we entered into a contract with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Pursuant to the contract, our Launch Provider will make four launches of six satellites each, and we have the option to require our Launch Provider to make four additional launches of six satellites each. The total contract price for the first four launches is $210.1 million. On July 5, 2008, we amended our agreement with our Launch Provider for the launch of our second-generation satellites and certain pre and post-launch services. Under the amended terms, we can defer payment on up to 75% of certain amounts due to the Launch Provider. The deferred payments will incur annual interest at 8% to 12%. We have made aggregate payments under this contract of approximately $26.3 million through September 30, 2008.

On May 14, 2008, we entered into a contract with Hughes under which Hughes will design, supply and implement the Radio Access Network (RAN) ground network equipment and software upgrades for installation at a number of our satellite gateway ground stations and satellite interface chips to be a part of the User Terminal Subsystem (UTS) in our various next-generation devices. The total contract purchase price of approximately $100.8 million is payable in various increments over a period of 40 months. We have the option to purchase additional RANs and other software and hardware improvements at pre-negotiated prices. We have made aggregate payments under this contract of approximately $4.8 million through September 30, 2008.

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On October 8, 2008, we signed an agreement with Ericsson Federal Inc., a leading global provider of technology and services to telecom operators. According to the $22.7 million contract, Ericsson will work with us to develop, implement and maintain a ground interface, or core network, system that will be installed at our satellite gateway ground stations. The all Internet protocol (IP) based core network system is wireless 3G/4G compatible and will link our radio access network to the public-switched telephone network (PSTN) and/or Internet. Design of the new core network system is now underway.

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

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

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

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

- SPOT Satellite Messenger Addressable Market

We believe the addressable market for our SPOT satellite messenger products and services in North America consists of approximately 50 million consumers, primarily made up of outdoor enthusiasts. 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 60% of the world population. We intend to market our SPOT satellite messenger products and services aggressively in our overseas markets including South and Central America, Western Europe, and through independent gateway operators (IGOs) in their respective territories.

- SPOT Satellite Messenger Pricing

The pricing for SPOT satellite messenger products and services and equipment is intended to be extremely competitive. Annual service fees, depending whether they are for domestic or international service, currently range from $99.99 to approximately $156.00 for our basic level plan, and $149.98 to approximately $218.00 with additional tracking capability. We expect the equipment will be sold to end users at $149.99 to approximately $300.00 per unit (subject to foreign currency rates).

- 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, Costco, Joe s Sport, London Drug, Outdoor and More, Gander Mountain, REI, Sportsman s Warehouse, The Source by Circuit City dealers, Wal-Mart.com, West Marine, DBL Distribution, D.H. Distributions, and CWR Electronics. We have achieved our objective to sell SPOT satellite messenger products through approximately 5,000 distribution points and expect to reach 10,000 in 2009. We also intend to sell directly using our existing sales force into key vertical markets and through our direct e-commerce website (*www.findmespot.com*).

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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 (41% for the nine months ended September 30, 2008) is denominated in foreign currencies. In addition, a substantial majority of our obligations under the contracts for our second-generation constellation and related control network facility are denominated in Euros. The recent increase in the relative value of the U.S. dollar versus the Euro has positively affected our revenues and is expected to decrease our capital expenditures. Any future declines in the relative value of the U.S. dollar versus the Euro will have an opposite affect on our revenue and increase our capital expenditures. The recent increase in the relative value of the U.S. dollar versus the Canadian dollar has negatively affected our revenues. See Item 3. Quantitative and Qualitative Disclosures about Market Risk for additional information.

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

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

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

On April 10, 2008, the FCC increased our ATC grant to a total of 19.275 MHz in our two frequency bands. The FCC s order is now final and effective. On May 16, 2008, we filed an application with the FCC to modify our authorization by adding additional wave forms. One of these is the time division duplex (TDD) WiMAX wave form that Open Range intends to deploy. Two parties, Iridium and Sprint Nextel, filed petitions to deny our application, and we and Open Range filed our oppositions to their petitions. On October 31, 2008, the FCC granted us the authority necessary to implement our agreement with Open Range but deferred a decision on waveforms other than WiMax.

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

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	Three months ended September 30, 2008		Three months ended September 30, 2007		Nine months ended September 30, 2008		Nine months ended September 30, 2007	
	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue	Revenue	% of Total Revenue
Service Revenue:								
Mobile	$ 9,976	44%	$ 16,482	64%	$ 33,199	49%	$ 46,409	62%
Fixed	920	4	1,389	6	2,817	4	4,383	6
Data	174	1	380	2	600	1	1,160	2
Simplex	1,838	8	570	2	4,239	6	1,730	2
IGO	889	4	1,340	5	2,617	4	3,145	4
Other(1)	2,353	10	1,102	4	5,361	8	1,886	3
Total Service Revenue	16,150	71	21,263	83	48,833	72	58,713	79
Subscriber Equipment Sales:								
Mobile	2,043	9	2,854	11	6,383	9	9,731	13
Fixed	162	1	380	1	1,053	2	1,977	2