

Globalstar, Inc.
Form 10-Q
December 18, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from _____ to _____

Commission file number 001-33117

GLOBALSTAR, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

41-2116508

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

461 South Milpitas Blvd.

Milpitas, California 95035

(Address of principal executive offices and zip code)

(408) 933-4000

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No .

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No .

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

TABLE OF CONTENTS

	Page
<u>PART I - Financial Information</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2006 and 2005 (unaudited)</u>	3
<u>Consolidated Balance Sheets as of September 30, 2006 and December 31, 2005 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2006 and 2005 (unaudited)</u>	5
<u>Notes to Unaudited Interim Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	32
<u>Item 4. Controls and Procedures</u>	32
<u>PART II - Other Information</u>	33
<u>Item 1. Legal Proceedings</u>	33
<u>Item 1A. Risk Factors</u>	33
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	45
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	46
<u>Item 6. Exhibits</u>	46
<u>Signatures</u>	47

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share data)

(Unaudited)

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