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

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from to

Commission file number 001-33117

GLOBALSTAR, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

461 South Milpitas Blvd.

Milpitas, California 95035

(Address of principal executive offices and zip code)

(408) 933-4000

Registrant s telephone number, including area code

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

Yes o. No x.

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

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

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

Yes o. No x.

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share data)

(Unaudited)

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

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

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

Additional paid-in capital	87,733	
Member interests		73,314
Accumulated other comprehensive loss	(18)	(1,884)
Retained earnings	24,353	
Total ownership equity	112,074	71,430
Total liabilities and ownership equity	$ 210,701	$ 113,545

See accompanying notes to unaudited interim consolidated financial statements.

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GLOBALSTAR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

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

Supplemental disclosure of cash flows information:				
Cash paid:				
Interest	$	1,023	$	234
Income taxes	$	105	$	181
Supplemental disclosure of non-cash activities:				
Accrued launch costs	$	7,443		
Capitalization of interest for spare and second-generation satellites and launch costs	$	920		
Distribution payable to member	$	686		
Issuance of Series A redeemable common stock in conjunction with acquisition	$	5,198		

See accompanying notes to unaudited interim consolidated financial statements.

GLOBALSTAR, INC.

NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Note 1: The Company and Summary of Significant Accounting Policies

Nature of Operations

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

Globalstar is a leading provider of mobile voice and data communications services via satellite. Globalstar s network, originally owned by Globalstar, L.P. (Old Globalstar), was designed, built and launched in the late 1990s by a technology partnership led by Loral Space and Communications (Loral) and QUALCOMM Incorporated (QUALCOMM). On February 15, 2002, Old Globalstar and three of its subsidiaries filed voluntary petitions under Chapter 11 of the United States Bankruptcy Code. In 2004, Thermo Capital Partners L.L.C. (Thermo) became Globalstar s principal owner, and Globalstar completed the acquisition of the business and assets of Old Globalstar.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. These unaudited interim consolidated financial statements include the accounts of Globalstar and its majority owned or otherwise controlled subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. The interim financial information is unaudited. In the opinion of management, such information includes all adjustments, consisting of normal recurring adjustments, that are necessary for a fair presentation of the Company s consolidated financial position, results of operations, and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2006 are not necessarily indicative of the results that may be expected for the full year or any future period. Globalstar s results of operations are subject to seasonal usage changes. The months of April through October are typically peak months for service revenues and equipment sales. Government customers in North America tend to use Globalstar s services during summer months, often in support of relief activities after events such as hurricanes, forest fires and other natural disasters.

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

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Registration Statement on Form S-1. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. The consolidated balance sheet as of December 31, 2005 was derived from the Company s audited consolidated financial statements for the year ended December 31, 2005, but does not include all disclosures required by GAAP.

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

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

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

Recent Accounting Pronouncements

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

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

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

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

Note 2: Basic and Diluted Earnings Per Share

The Company applies the provisions of Statement of Financial Accounting Standard No. 128, Earnings Per Share (SFAS 128) which requires companies to present basic and diluted earnings per share. Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the period. Common Stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. For the three and nine months ended September 30, 2006, weighted average shares outstanding for diluted earnings per share includes the effects of the 120,000 stock options which the Company agreed to grant to a new board member during the first quarter of 2005 and approximately 230,000 shares of Common Stock that are contingently issuable to the former stockholders of the Globalstar Americas Holding (GAH), Globalstar Americas Telecommunications (GAT), and Astral Technologies Investment Limited (Astral), collectively, the GA Companies (See Note 3).

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

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

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

Note 3: Globalstar Americas Telecommunications, LTD

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

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

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

Net assets acquired	$	6,388

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

Note 4: Property and Equipment

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

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

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

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

Note 5: Accrued Expenses

Accrued expenses consist of the following (in thousands):

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

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

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

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

Note 6: Payables to Affiliates

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

	September 30, 2006	**December 31, 2005**
QUALCOMM	$ 8,183	$ 2,758
Thermo Capital Partners	860	201
	$ 9,043	$ 2,959

Thermo incurs certain general and administrative expenses on behalf of the Company, which are charged to the Company. For the three and nine months ended September 30, 2006, total expenses were approximately $0 and $20,000, respectively. For the three and nine months ended September 30, 2005, total expenses were approximately $0 and $51,000, respectively. For each of the three and nine months ended September 30, 2006 and 2005, the Company also recorded $36,000 and $108,000, respectively, of expenses related to services provided by officers of Thermo which were accounted for as a contribution to capital. The Thermo expense charges are based on actual amounts incurred or upon allocated employee time. Management believes the allocations are reasonable. The balance at September 30, 2006, includes $686,000 that became payable to Thermo as a result of Globalstar s conversion from a limited liability company to a corporation.

Note 7: Other Related Party Transactions

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

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

Purchases from Affiliates

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

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

Revenues from Affiliates

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

Note 8: Pension and Other Employee Benefit Plans

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

	Three months ended September 30 2006	2005	Nine months ended September 30, 2006	2005
Service cost	$	$	$	$
Interest cost	184	184	551	551
Expected return on plan assets	(174)	(150)	(523)	(449)
Actuarial loss, net	23	13	68	