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GSAT - Globalstar Inc to Host Call to Discuss FCC Proposed Rules for Terrestrial Broadband Services and Near-term Outlook for Relief

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PRESENTATION

Operator

Welcome to the Globalstar Incorporated Conference Call. My name is Derek, and I will be your operator for today's call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session. Please note that this conference is being recorded.

I will now turn the call over to [Catherine Singer]. Catherine, you may begin.

Catherine Singer - *Globalstar Incorporated - IR*

Thank you, Operator. Good morning, everyone. Thank you for joining us for today's conference call to discuss the FCC's release of proposed rules to allow Globalstar to offer terrestrial broadband services. Before we begin, please note the following. This call may contain forward-looking statements within the meaning of federal securities law.

The press release, this conference call, and the associated slide presentation, which are available on the Investor Relations page of Globalstar's website at www.globalstar.com, include discussions of our expectations with respect to final adoption of these rules and Globalstar's utilization of this resource.

Please note that the information in this call is accurate only as of today, Wednesday, November 6, 2013. 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.

Additional risk factors related to our business are included in our filings with the Securities and Exchange Commission, including our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K. Later today, an audio recording of this conference call will be available by telephone dial-in.

Today's call is being presented by Jay Monroe, chairman and CEO, and Barbee Ponder, general counsel and VP regulatory affairs. Now it is my pleasure to turn the call over to Jay Monroe. Jay?



Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Thanks, Catherine. And thanks to all of you joining us this morning to discuss last Friday's FCC vote on our rulemaking. Judging by the number of participants, there's a lot of interest in this subject. Barbee and I have some short prepared remarks, and then we will open the line to Q&A.

I want to begin by saying that after a thorough review of the NPRM, Globalstar is extremely pleased with its contents. We firmly believe that the FCC's proposed rules provide substantially everything that Globalstar requested in its 2012 petition for near-term terrestrial relief, though the FCC did choose a slightly different regulatory path to reach that end.

I'd like to turn the call over to Barbee Ponder, our general counsel and vice president of regulatory affairs, for a more detailed summary of the new proposed rules, after which we will take questions. Barbee?

Barbee Ponder - *Globalstar Incorporated - General Counsel, VP - Regulatory Affairs*

Thank you, Jay. The FCC's adoption on Friday of our notice of proposed rulemaking was the culmination of an extraordinary effort over the past year by many individuals at Globalstar, as well as a dedicated staff at the commission, especially the members of the international bureau, wireless telecommunications bureau, and office of engineering and technology.

As most of you are aware, we filed our petition for rulemaking last November, and the FCC quickly placed it out for public comment. The comment cycle closed in January, and we worked diligently to respond to any and all concerns expressed regarding our proposal. Most concerns were the product of simple misunderstandings regarding what exactly we were requesting.

In June, Globalstar released its initial test results showing that its terrestrial low power service could achieve both an effective distance and throughput capacity that were a multiple of public WiFi with no impact on WiFi operations and adjacent channels. While we were unable to achieve the release of our NPRM during the final days of Julius Genachowski's chairmanship, we worked quickly to ensure that Chairwoman Clyburn and her dedicated staff understood the importance of what we were proposing.

Last Friday, she, as well as Commissioners Rosenworcel and Pai, decided that new rules allowing Globalstar to provide terrestrial mobile broadband services should be released. We greatly appreciate their leadership and support on a matter that holds so much promise as an immediate solution for current congestion in the public WiFi band, as well as being so important to Globalstar's future.

Further, we look forward to meeting with Chairman Wheeler and his recently named senior staff, as well as Commissioner O'Rielly in the near future to discuss this very important proceeding.

Now let's turn to the substance of the notice. I must admit that when I began reading the first pages of the notice that sinking feeling set in that this is not what we requested. The FCC was not proposing a separate terrestrial license under part 27 as we had asked and as it had established for Dish.

Indeed, last November, Globalstar fashioned its petition based on the part 27 release that the FCC was in the process of adopting for Dish. It was our understanding that that AWS regime would serve as the model for future proceedings to free up additional satellite spectrum for terrestrial mobile broadband services.

Instead, the FCC has proposed to revise its existing part 25 rules as they apply to Globalstar so as to permit Globalstar to offer terrestrial mobile broadband services. After a few review of the notice, Globalstar is now pleased to state that while the proposed new part 25 rules are not what we requested, they are, in fact, better.

The following is a summary of the seven most important aspects of the NPRM. First and foremost, the FCC recognizes Globalstar's commitment to providing the finest mobile satellite voice and data services. This recognition forms the foundation on which the FCC proposes all of its new rules.



As you know, we pride ourselves on ensuring continued connectivity when and if terrestrial networks are either unavailable or have ceased operation due to natural or manmade disasters. Further, our most popular product line, SPOT, contains GPS-dependent devices operating over our L-band spectrum that are used daily to initiate lifesaving rescues within our global coverage area. Since 2007, our SPOT products have been used in over 2,500 rescues with customers in commercial, consumer, and government markets. Nothing in the FCC's proposed terrestrial rules will change our commitment to mobile satellite services.

Second, the proposed rules permit Globalstar to offer terrestrial mobile broadband services over both our S-band spectrum and the adjacent 10.5 megahertz of unlicensed spectrum in the ISM band that is materially underutilized today. Slide two of our presentation provides a graphical depiction of this new band.

Significantly, the proposed rules contain power and out-of-band emission limits for the low-power mobile broadband services that Globalstar chooses to offer and confirms that the FCC will address our longer-term plan for LTE-based services in the L-band in a separate future proceeding as Globalstar had requested. Also, the FCC finds that any mobile broadband service offered over this 22-megahertz band must be under Globalstar's exclusive control.

Third, the proposed rules all but eliminate the gating criteria that would have otherwise been applicable to our provision of low-power mobile broadband services. The eliminated requirements include the coverage test, spare satellite requirement, and the integrated services requirement that the FCC recognizes is not feasible in the context of Globalstar's provision of terrestrial mobile broadband services.

Nevertheless, the FCC finds that any low-power mobile broadband service offered by Globalstar would still be ancillary to its mobile satellite services and proposes that the only gating requirement that Globalstar needs satisfy is the provision of commercial mobile satellite services, which we have always intended.

Fourth, because the FCC considers Globalstar's provision of terrestrial broadband services to be ancillary to its mobile satellite services under part 25, there are no additional build-out requirements as would have been imposed under a part 27 licensing regime. Instead, the proposed rules recognize that part 25 -- that under part 25, Globalstar has, in effect, already met any build-out requirement by most recently its billion-dollar investment in a new constellation and continued provision of mobile satellite services.

Fifth, as with the existing ATC rules, Globalstar will be required to protect other licensed services from any harmful interference otherwise caused by its provision of terrestrial mobile broadband services. These are the same requirements that Globalstar has previously utilized to protect the longstanding interests of broadcast auxiliary services.

Sixth, the technical rules including both power and out-of-band emission limits proposed by the FCC are just as Globalstar had requested, and we see no need to seek modifications to them during the proceeding. We believe they strike the right balance to provide protection to all licensed and unlicensed operations in adjacent bands.

And, finally, seventh, the FCC proposes that Globalstar consent to the certification of access points operating on over the 22 megahertz in order to facilitate the company's management and control of these operations. As to both the enormous existing WiFi ecosystem, as well as future end user equipment, the FCC tentatively concludes that Globalstar's consent is not necessary and appears willing to consider new procedures in order to minimize the certification burdens that manufacturers would otherwise face under the FCC's existing rules.

As you know, from the beginning of this process, Globalstar has requested a full rulemaking procedure so that everyone could participate and a complete record could be evaluated before the FCC granted permanent authority to provide territorial services. Indeed, during our petition's comment cycle in January, we sponsored a public webinar to provide an in-depth discussion of our proposed terrestrial plans, including the provision of a low-power mobile broadband service that we had termed TLPS.

We have done our level best to engage with the various unlicensed interests that utilize the ISM or public WiFi band and look forward to working with them collaboratively throughout this formal proceeding. The FCC has established an extended comment cycle to stagger the upcoming

deadlines for its many new proceedings initiated last week and provide adequate time for the requested technical analysis to be conducted, while ensuring that everyone has a joyous holiday season.

For all of this, we are especially grateful. And now, we will open it up for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. We will now begin the question-and-answer session. (Operator Instructions). And we have a question from [Jim McCleary] from [Shardane Capital]. Jim, you may go ahead with your question.

Jim McCleary - Shardane Capital - Analyst

Thanks a lot, and good morning. Barbee, can you talk a little bit about the equipment certification of terminals -- excuse me -- the equipment certification of the terminals and how you think that might play out? I know that the FCC has kind of left it open, but what do you think the alternatives are, in terms of how equipment certification of the terminals goes.

Barbee Ponder - Globalstar Incorporated - General Counsel, VP - Regulatory Affairs

Yeah, I do think that, from what I read in the NPRM, the FCC is very open to crafting new rules to ensure that manufacturers of devices don't -- aren't necessarily troubled by the certification so that they can operate on the TLPS frequencies.

I don't believe that currently the rules provide for a process for certification of the existing devices over our frequency band, but clearly in the rulemaking, the FCC has included in -- especially OET has stated that they are going to look for a solution to minimize any burden on the manufacturers.

Jim McCleary - Shardane Capital - Analyst

If you had your druthers, how would you propose the certification take place?

Barbee Ponder - Globalstar Incorporated - General Counsel, VP - Regulatory Affairs

I think that it would be through a permissive certification process, a mere filing with OET requesting certification, and a time period for OET to review and with no -- with no further comment from OET, the permissive certification would be granted.

Jim McCleary - Shardane Capital - Analyst

Okay, thanks. And then one more. So it seems like the FCC was very concerned about potential interference to the BAS channels and Bluetooth. Are you going to engage in testing to demonstrate what potential interference there is? Or are you looking for, you know, third parties to do that? Are you looking for the Bluetooth guys to do that? Can you just map out how you think you're going to respond to that concern the FCC has?



Barbee Ponder - *Globalstar Incorporated - General Counsel, VP - Regulatory Affairs*

Clearly, the FCC has stated that it expects to receive (inaudible) concerns that they have. And they're, of course, going to (inaudible) additional (inaudible) analysis that we made, and -- but, you know, at this point, I think we have to wait and see what comes in from any other interested parties before we can, you know, further respond.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Jim, let me add to what Barbee was saying, as well. I mean, we've been in conversation with the BAS interests forever. We've operated with the BAS in aspects of our bands for a long time. And so I don't believe there's going to be much of a problem in continuing our work with them, nor do I see that as an impediment to reaching a conclusion.

The Bluetooth interests are interests which we are anxious to continue our work with. We've had conversations with them. And our expectation is that as (inaudible) they'll realize with us that it is helpful, not harmful, for us to be operating with them.

There is greater opportunity for everybody by utilization of TLPS, whether they're equipment vendors, whether they are service companies or other, this is expanding, not contracting the pie for all of those parties. So we do expect that to work its way out in the next couple of months.

Jim McCleary - *Shardane Capital - Analyst*

Great. Thanks a lot. Good luck, and congratulations.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Thank you.

Barbee Ponder - *Globalstar Incorporated - General Counsel, VP - Regulatory Affairs*

Thank you.

Operator

Thank you. And our next question comes from Marco Rodriguez from Stonegate Securities. Marco, you may go ahead with your question.

Marco Rodriguez - *Stonegate Securities - Analyst*

Good morning. Thank you for taking my questions. I was wondering if you could talk a little bit about why you thought or why you think that the FCC kind of went in a slightly different direction for the approval from what you were initially asking.

Barbee Ponder - *Globalstar Incorporated - General Counsel, VP - Regulatory Affairs*

Sure, Marco. I think, you know, there's a fundamental difference between Globalstar and Dish's interests that were the subject of the prior S-band proceeding. We have a robust MSS business, with over half a million subscribers. We've recently launched a billion dollars' worth of new satellites. And we are re-establishing ourselves as the preeminent MSS provider, not only in the United States, but internationally.

We think that when the, you know, FCC saw, you know, what we were requesting, considered it, they decided that it was best to continue with us under part 25 and do so by basically, you know, getting to the same place that we wanted by essentially eliminating the gating criteria under part 25.

So even though we are part 25 and there are no gating criteria, we're still considered -- our terrestrial low-power services would still be considered ancillary to our MSS. And thus, we will not have to negotiate or contend with any future build-out requirements for TLPS, which we would have -- which would have been imposed under part 27, like they were with Dish. And we think that that provides us tremendous flexibility for ourselves and whomever we decide to partner with going forward as to, you know, just how we role this out and when.

Marco Rodriguez - *Stonegate Securities - Analyst*

And I was wondering if maybe you could talk a little bit more in regard to any potential issues or risks that could potentially elongate this schedule here?

Barbee Ponder - *Globalstar Incorporated - General Counsel, VP - Regulatory Affairs*

Well, I'd hope there'd be no further government shutdowns. But, you know, there are always risks that are completely outside of our control. If you see what Globalstar has accomplished over the past 12 months, you will see a company that can respond to adverse conditions, overcome them, and move forward. That's what we've done. And that's what we plan to continue to do.

Marco Rodriguez - *Stonegate Securities - Analyst*

Okay, so there's nothing in the NPRM that has you somewhat a little worried or thinking might -- could potentially cause like a bit of a delay?

Barbee Ponder - *Globalstar Incorporated - General Counsel, VP - Regulatory Affairs*

Marco, if the FCC adopted the proposed rules that are in that NPRM tomorrow, we would be extremely happy, and we would be moving forward to role out TLPS. The rules are what we requested.

Marco Rodriguez - *Stonegate Securities - Analyst*

Okay. Thanks a lot, guys.

Barbee Ponder - *Globalstar Incorporated - General Counsel, VP - Regulatory Affairs*

Thank you.

Operator

Our next question comes from Kyle Pickens with Steelhead Partners. Kyle, you may go ahead with your question.

Kyle Pickens - *Steelhead Partners - Analyst*

Hey, guys. When you were talking to potential licensees of this spectrum, how significant an issue was the build-out -- the potential for build-out requirements?



Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Kyle, I don't remember that being a driver in any of the conversations that we have had. Certainly, the people that we've talked with wanted to see the NPRM before we could carry on conversations at different levels.

Now that they have seen it, I'm confident they'll be happy with what they saw, both in terms of build-out requirements, or the lack thereof, and other issues like out-of-band emissions and so forth, which proscribe pretty reasonable provisions for us that are consistent with all part 15 devices. So we're very happy, but that was not a driver in any of the discussions we've had thus far.

Kyle Pickens - *Steelhead Partners - Analyst*

Okay, thanks.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Sure thing.

Operator

Our next question comes from Jonathan Chaplin with New Street. Jonathan, you may go ahead with your question.

Jonathan Chaplin - *New Street - Analyst*

Thanks. Jay, this is obviously a great step forward for you guys. Is there anything in the NPRM that suggests you can -- that would suggest whether you can or can't use the 22 megahertz TLPS band that the rules look to create exclusively? Is it -- you know, based on what's in the NPRM, would you be able to use that or lease it out on an exclusive basis? Thanks.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Jonathan, to make sure I understand the question, are you asking whether we could do a transaction for that with a single party?

Jonathan Chaplin - *New Street - Analyst*

Yeah, I'm -- you know, the -- my understanding is that down the middle of that 22 megahertz TLPS band, you've got exclusive use to 11 megahertz. But, you know, you're effectively creating a new band that's 22 megahertz wide, and I'm wondering whether your -- you'd have exclusive use of the whole 22 megahertz.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

In the 10 megahertz -- that's the upper ISM band -- we have to, always expected to, in fact, proposed that that band be open to any and all of the current and future uses permitted in it. And so that is how the -- that is how I believe the process will play out with the FCC.

On the other hand, when you think about it from a 22 megahertz protocol, using part 15 and WiFi-like concepts, the only way that that can operate is if it operates through access points, which are certified by Globalstar. And that's to make certain that we don't have a negative impact on the satellite network.



So if there are other interests that need to be accommodated -- and there are -- we will do so in the 10 megahertz -- that's the upper ISM band. But if it's a full WiFi channel, we'll control that through carrier grade access points.

Jonathan Chaplin - *New Street - Analyst*

Got it. And you still retain exclusive use of the 11 megahertz that's licensed to you at the moment?

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

That's correct.

Jonathan Chaplin - *New Street - Analyst*

Got it, awesome. Thanks, Jay.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

You're welcome.

Operator

Spencer Kurn has a question with New Street Research. Spencer, you may go ahead with your question, sir.

Spencer Kurn - *New Street Research - Analyst*

Hey, guys. Thanks for taking the question. I'd really like to know your thoughts on how the NPRM compared to your requests for use of the spectrum for LTE purposes. Additionally, is there anything in the NPRM that changed your view on usability of your L-band for uplink, upper and LTE uplink channel, as well? Thanks.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Spencer, no, nothing has changed our view. We asked for a separate track for LTE, and the FCC specifically called that out, so we're comfortable that always we wanted to make certain that all interests, particularly interests in GPS and otherwise, were fully vetted in any operations in the L-band. That became very controversial, as you well know, in the LightSquared situation, and though our service is wholly differentiated from that low-power uplink versus high-power downlink, it was still the process that needed to be observed and handled methodically and over a longer term.

So we're not -- we're not at all troubled by the process that the FCC has undertaken. They have stated that they will address our higher powered services in a future proceeding, and we are quite comfortable that they will do that.

Spencer Kurn - *New Street Research - Analyst*

Got it, thanks. And just to follow up to your comment about, you know, you've replied to a lot of the comments leading up to the NPRM being issued. Were you surprised about the, you know, longer than typical comment cycle of 75 days that the FCC has, you know, applied to the rulemaking?



Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

No, not at all. I mean, it's a situation where you're getting at the end of the year -- the FCC had a few additional proceedings that they were putting out on top of each other. They have a new chairman that has to be accommodated. And they were very specific about requesting technical answers to certain questions.

And if people are going to answer those technically and satisfy the FCC, they have to have a little time to do it. And at the end of the year, in the holiday season and all of that, I think impact their thinking. Had this happened at a different time of the year, maybe it could have proceeded a little bit more rapidly, but if you had asked me how long I felt this proceeding would last, anyway, I felt that it would last something like this 105 days that they have proposed.

So I don't think we're surprised by it at all under the circumstances. And when it's over, it'll be a more complete proceeding as a result.

Spencer Kurn - *New Street Research - Analyst*

Got it. Thanks.

Operator

Our last question today comes from Jason Bernstein with Odeon Capital. Jason, you may go ahead with the last question.

Jason Bernstein - *Odeon Capital - Analyst*

Hi, guys. Thanks for taking the question, and congratulations. Just have a question as to the impact on discussions with partners or potential licensees. And are any of those discussions waiting possibly for LTE to come into the picture?

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

Fair question. I don't know the answer to that one. Conversations that we're having have proceeded under fairly strict NDAs, and so it's probably not appropriate for me to comment on those with any specificity. But I do think many of the people that we talked to were interested in seeing the NPRM come out. Without a doubt, most are heavily focused on the TLPS service, and therefore, I'm pretty sure that there are a lot of people that are pleased this week from what the FCC did last Friday.

Jason Bernstein - *Odeon Capital - Analyst*

Great. Thank you.

Jay Monroe - *Globalstar Incorporated - Chairman and CEO*

You're welcome.

Well, thank you all for all of these questions. We've reached the end of the scheduled time, and it does appear that there are still numerous people waiting to ask questions. I apologize for not being able to get to all of those, but please feel free to contact us so we can make sure your questions are answered.

We have established a specific e-mail address to handle these inquiries, so please use it. It is nprm@globalstar.com.



As a summary, we are extremely pleased with the FCC's notice and look forward to working through the remainder of this process so we can immediately increase the nation's spectrum capacity by a meaningful amount.

I'd also like to thank the small, yet highly effective team in D.C. that represents Globalstar's interests on a daily basis, especially Gina Keeney and Steve Berman at the Lawler Metzger firm and John Dooley of Jarvinian. Many of you know John. He's not only the Carl Sagan of RF engineering, but he's also the architect of many of our TLPS plans.

We've been through some difficult days over the last few years, but for those who have stuck with us, your perseverance is now being rewarded. Please join us next week for our third quarter earnings call, where will discuss our financial and operating results.

Let me conclude today by stating that we continue to execute on our vision to be the world's preeminent mobile satellite services company whose mission it is to redefine MSS services by making it an order of magnitude less expensive and, therefore, more relevant to millions of ordinary people globally. With new products priced below \$100, we are accomplishing this and encourage everyone to be a part of this future. I thank you all for joining us today, and have a good day.

Operator

Thank you, ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.

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