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**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF DELAWARE**

**IN RE:**

**GLOBALSTAR CAPITAL CORPORATION,  
a Delaware corporation, *et al.*,**

**Debtors.**

**(GLOBALSTAR CAPITAL CORPORATION)  
(GLOBALSTAR SERVICES COMPANY, INC.)  
(GLOBALSTAR (DEBTOR), LLC)  
(GLOBALSTAR, L.P.)**

**Jointly Administered  
Case No. 02-10499 (PJW)**

**Chapter 11**

**(Case No. 02-10499 (PJW))  
(Case No. 02-10501 (PJW))  
(Case No. 02-10503 (PJW))  
(Case No. 02-10504 (PJW))**

**DISCLOSURE STATEMENT PURSUANT TO SECTION 1125 OF  
THE BANKRUPTCY CODE FOR DEBTORS' FOURTH AMENDED JOINT PLAN  
UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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**May 3, 2004**

**ATTORNEYS FOR DEBTORS AND  
DEBTORS IN POSSESSION**

**DISCLOSURE STATEMENT, DATED MAY 3, 2004**

**SOLICITATION OF VOTES WITH RESPECT TO THE  
DEBTORS' FOURTH AMENDED JOINT PLAN UNDER CHAPTER 11 OF THE BANKRUPTCY CODE**

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**THE GENERAL PARTNERS' COMMITTEE OF GLOBALSTAR, L.P. ("GLOBALSTAR") AND THE BOARDS OF DIRECTORS (OR COMPARABLE GOVERNING BODIES) OF EACH OF ITS DEBTOR SUBSIDIARIES LISTED ON THE COVER PAGE TO THIS DISCLOSURE STATEMENT (COLLECTIVELY, THE "GLP SUBSIDIARY DEBTORS," AND, TOGETHER WITH GLOBALSTAR, THE "DEBTORS") BELIEVE THAT THE DEBTORS' FOURTH AMENDED JOINT PLAN UNDER CHAPTER 11 OF THE BANKRUPTCY CODE DATED MAY 3, 2004, ATTACHED AS EXHIBIT A TO THIS DISCLOSURE STATEMENT (AS THE SAME MAY BE AMENDED OR MODIFIED, THE "PLAN"), IS IN THE BEST INTERESTS OF CREDITORS. ALL CREDITORS ENTITLED TO VOTE THEREON ARE URGED TO VOTE IN FAVOR OF THE PLAN.**

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**A SUMMARY OF THE VOTING PROCEDURES IS SET FORTH IN SECTION II.B OF THIS DISCLOSURE STATEMENT. MORE DETAILED INSTRUCTIONS ARE CONTAINED ON THE BALLOTS DISTRIBUTED TO CREDITORS ENTITLED TO VOTE ON THE PLAN. TO BE COUNTED, YOUR BALLOT MUST BE DULY COMPLETED, EXECUTED AND RECEIVED BY 5:00 P.M., PACIFIC TIME, ON JUNE 7, 2004 OR SUCH OTHER DATE IDENTIFIED ON YOUR BALLOT (THE "VOTING DEADLINE"), UNLESS EXTENDED.**

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**THE CONFIRMATION AND EFFECTIVENESS OF THE PROPOSED PLAN ARE SUBJECT TO MATERIAL CONDITIONS PRECEDENT, SOME OF WHICH MAY NOT BE SATISFIED. SEE SECTION XI.A OF THIS DISCLOSURE STATEMENT. THERE IS NO ASSURANCE THAT THESE CONDITIONS WILL BE SATISFIED OR WAIVED.**

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**THE DEBTORS ARE PROPONENTS OF THE PLAN WITHIN THE MEANING OF SECTION 1129 OF TITLE 11 OF THE UNITED STATES CODE (THE "BANKRUPTCY CODE").**

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No person is authorized by any of the Debtors in connection with the Plan or the solicitation of acceptances of the Plan to give any information or to make any representation other than as contained in this Disclosure Statement and the exhibits and schedules attached hereto or incorporated by reference or referred to herein, and, if given or made, such information or representation may not be relied upon as having been authorized by any of the Debtors. Although the Debtors will make available to creditors entitled to vote on acceptance of the Plan such additional information as may be required by applicable law prior to the Voting Deadline, the delivery of this Disclosure Statement will not under any circumstances imply that the information herein is correct as of any time subsequent to the date hereof.

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**ALL CREDITORS ENTITLED TO VOTE ON THE PLAN ARE ENCOURAGED TO READ AND CAREFULLY CONSIDER THIS ENTIRE DISCLOSURE STATEMENT, INCLUDING THE PLAN ATTACHED AS EXHIBIT A HERETO AND THE "RISK FACTORS" DESCRIBED IN ARTICLE XII OF**

**THIS DISCLOSURE STATEMENT, PRIOR TO SUBMITTING BALLOTS PURSUANT TO THIS SOLICITATION.**

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The summaries of the Plan and other documents contained in this Disclosure Statement do not purport to be complete and are qualified by reference to the full text of the Plan itself, the exhibits thereto and the other documents described or referred to herein that are or will be available over the Internet on Globalstar's website at <http://www.globalstar.com> prior to the Voting Deadline. Copies of all such documents may be obtained from the copy services identified in the notice of Confirmation Hearing.

The information contained in this Disclosure Statement, including the information regarding the history, businesses and operations of the Debtors, the historical financial information regarding the Debtors and the liquidation analysis relating to the Debtors, is included for purposes of soliciting acceptances of the Plan, but, as to contested matters and adversary proceedings, is not to be construed as admissions or stipulations, but rather as statements made in settlement negotiations. Unless otherwise provided, all statements made herein are made as of the date hereof.

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**FORWARD-LOOKING STATEMENTS: THIS DISCLOSURE STATEMENT INCLUDES FORWARD-LOOKING STATEMENTS BASED LARGELY ON THE CURRENT EXPECTATIONS OF THE DEBTORS AND PROJECTIONS ABOUT FUTURE EVENTS AND FINANCIAL TRENDS AFFECTING THE FINANCIAL CONDITION OF THE DEBTORS' BUSINESSES. THE WORDS "BELIEVE," "MAY," "WILL," "ESTIMATE," "CONTINUE," "ANTICIPATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS IDENTIFY THESE FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE SUBJECT TO A NUMBER OF RISKS, UNCERTAINTIES AND ASSUMPTIONS, INCLUDING THOSE "RISK FACTORS" DESCRIBED IN ARTICLE XII OF THIS DISCLOSURE STATEMENT. IN LIGHT OF THESE RISKS AND UNCERTAINTIES, THE FORWARD-LOOKING EVENTS AND CIRCUMSTANCES DISCUSSED IN THIS DISCLOSURE STATEMENT MAY NOT OCCUR AND ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE ANTICIPATED IN THE FORWARD-LOOKING STATEMENTS. THE DEBTORS UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENTS, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.**

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**THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY STOCK EXCHANGE, NOR HAS THE SEC OR ANY STOCK EXCHANGE PASSED UPON THE ACCURACY OR ADEQUACY OF THE STATEMENTS CONTAINED HEREIN.**

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A table of terms defined herein indicating the pages on which such terms are defined is attached hereto as Annex A. All capitalized terms in this Disclosure Statement not otherwise defined herein have the meanings given to them in the Plan.

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**TABLE OF EXHIBITS**

- Exhibit A - Debtors' Fourth Amended Joint Plan Under Chapter 11 of the Bankruptcy Code
- Exhibit B - Order of the Bankruptcy Court dated \_\_\_\_ \_\_, 2004 (the "Disclosure Statement Order"), among other things, approving this Disclosure Statement and establishing certain procedures with respect to the solicitation and tabulation of votes to accept or reject the Plan
- Exhibit C - Liquidation Analysis
- Exhibit D - Amended and Restated Limited Liability Company Agreement of New Globalstar (the "New Globalstar LLC Agreement")
- Exhibit E - Series A Exercise Notice
- Exhibit F - Series B Exercise Notice
- Exhibit G - Annual Report on Form 10-K for the fiscal year ended December 31, 2002 of Globalstar Telecommunications Limited and Globalstar, L.P. (the "2002 Form 10-K"), which contains audited consolidated financial statements of Globalstar (the "Audited Annual Consolidated Financial Statements")

## ADDITIONAL INFORMATION

Certain documents described or referred to in this Disclosure Statement have not been attached as exhibits hereto because of the impracticability of furnishing copies of these documents to all recipients of this Disclosure Statement. Certain of those documents are or will be available to the recipient of this Disclosure Statement and the public over the Internet on Globalstar's website at <http://www.globalstar.com>; copies of such documents may be obtained from the copy service identified in the notice of Confirmation Hearing.

In addition, certain filings made by Globalstar with the SEC, including the 2002 Form 10-K, are available to the public over the Internet on the SEC's web site at <http://www.sec.gov>. Those filings may also be inspected at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Commencing with its Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, Globalstar ceased filing periodic reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and thereafter on January 28, 2004 Globalstar filed a Form 15 with the SEC to inform the SEC and the public that it would no longer continue its practice of voluntarily filing the reports contemplated pursuant to Section 13 of the Exchange Act.

\* \* \* \* \*

## I. INTRODUCTION AND SUMMARY OF THE PLAN

Globalstar, L.P. ("Globalstar" and its wholly owned subsidiaries, Globalstar Capital Corporation, Globalstar Services Company, Inc. and Globalstar (Debtor), LLC (formerly known as Globalstar, L.L.C.) (the "GLP Subsidiary Debtors" and collectively with Globalstar, the "Debtors") submit this Disclosure Statement pursuant to section 1125 of Bankruptcy Code to holders of claims against and equity interests in the Debtors in connection with (a) the solicitation of acceptances of the Plan filed by the Debtors with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") and (b) the hearing to consider confirmation of the Plan (the "Confirmation Hearing") to be held on June 17, 2004 at 3:00 p.m. Eastern Time.

The confirmation of a chapter 11 plan, which is the vehicle for satisfying the rights of holders of claims against and interests in a debtor, is the overriding goal of a chapter 11 case. Upon confirmation of a plan, it becomes binding on the debtor and all holders of claims against and interests in the debtor, and the obligations owed by the debtor to those parties are compromised and exchanged for the consideration specified in the plan.

The primary objectives of the Plan are to: (a) provide for an orderly distribution of the Debtors' assets; (b) maximize the value of the ultimate recoveries to all creditor groups on a fair and equitable basis; and (c) settle, compromise or otherwise dispose of certain Claims and Interests on terms that the Debtors believe to be fair and reasonable and in the best interests of their respective Estates, creditors and equity holders.

In connection with the distribution of the Debtors' assets, the following events, among others, will occur as provided in the Plan:

- ?? The distribution to creditors of the Membership Interests to be delivered to Globalstar pursuant to the Asset Contribution Agreement, dated as of December 5, 2003, by and among Globalstar, New Operating Globalstar LLC, Thermo Capital Partners, L.L.C. and certain of their affiliates (the "Asset Contribution Agreement") (see Section VII.B of this Disclosure Statement);
- ?? The cancellation of all outstanding partnership interests of Globalstar and all outstanding capital stock or membership interests of each of the GLP Subsidiary Debtors; and
- ?? The dissolution of Globalstar and the GLP Subsidiary Debtors.

On \_\_\_\_\_, 2004, after notice and a hearing, the Bankruptcy Court signed the Disclosure Statement Order approving this Disclosure Statement as containing adequate information of a kind and in sufficient detail to enable hypothetical reasonable investors typical of the Debtors' creditors and equity holders to make an informed judgment whether to accept or reject the Plan. **APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.**

**THE GENERAL PARTNERS' COMMITTEE OF GLOBALSTAR AND THE BOARD OF DIRECTORS (OR COMPARABLE GOVERNING BODIES) OF EACH OF THE GLP SUBSIDIARY DEBTORS BELIEVE THAT THE PLAN IS IN THE BEST INTERESTS OF CREDITORS. ALL CREDITORS ENTITLED TO VOTE ARE URGED TO VOTE IN FAVOR OF THE PLAN BY NO LATER THAN 5:00 P.M., PACIFIC TIME, ON JUNE 7, 2004 (THE "VOTING DEADLINE").**

**SUMMARY OF PLAN AND CERTAIN RELATED MATTERS**

*The following summary highlights information that is presented more fully elsewhere in this Disclosure Statement. All creditors entitled to vote on the Plan are encouraged to read and carefully consider this entire Disclosure Statement, including the Plan attached as Exhibit A hereto and the "risk factors" described in Article XII hereof, prior to submitting ballots to accept or reject the Plan.*

**Classification of Claims and Interests**      The Plan separates creditors and equity holders of the Debtors into eight Classes as follows:

- ?? Class 1 (Priority Claims)
- ?? Class 2 (Secured Claims)
- ?? Class 3 (Convenience Claims)
- ?? Class 4 (General Unsecured Claims)
- ?? Class 5 (Loral Claims)
- ?? Class 6 (Insured Claims)
- ?? Class 7 (Securities Litigation Claims)
- ?? Class 8 (Interests)

For a description of classification of Claims and Interests under the Plan, see Article III of this Disclosure Statement.

**Voting on the Plan**      Under the Bankruptcy Code, only holders of allowed claims and interests that are impaired and that are not deemed to have rejected the Plan are entitled to vote to accept or reject the Plan. The voting rights of holders of Allowed Claims and Interests are summarized below.

<u>Class</u>	<u>Entitled to Vote</u>
Class 1.....	No
Class 2.....	No
Class 3.....	Yes
Class 4.....	Yes
Class 5.....	Yes
Class 6.....	No
Class 7.....	No
Class 8.....	No

Under the Bankruptcy Code, the Plan will be deemed "accepted" by the holders of Claims in a class entitled to vote if it is accepted by holders of Claims in that class holding at least two-thirds in dollar amount and one-half in number of Claims that cast ballots for acceptance or rejection of the Plan. Under the Bankruptcy Code, in certain circumstances, the Plan may be confirmed and consummated even if a Class of Claims or Interests rejects the Plan.

For a description of the voting rights of holders of Claims and Interests under the Plan and voting procedures, see Article II of this Disclosure Statement. In addition, for a description of certain matters related to the Confirmation and consummation of the Plan, see Article XI of this Disclosure Statement.

## Background of the Plan

During the Chapter 11 Cases, the Debtors engaged in an extensive search for a new investor to fund the consummation of a chapter 11 plan. Ultimately, Globalstar and certain of its affiliates entered into (a) the Asset Contribution Agreement with Thermo Capital Partners, L.L.C. ("Thermo"), New Operating Globalstar LLC, a newly formed Delaware limited liability company ("New Globalstar"), and certain of their affiliates and (b) an Amended and Restated Secured Super-Priority Debtor in Possession Credit Agreement, dated as of December 5, 2003 (the "Thermo DIP Facility"), with an affiliate of Thermo (the "Thermo DIP Lender").

The transactions contemplated by the Asset Contribution Agreement were effected in two steps as follows:

Step One: The first step was completed simultaneously with the execution of the Asset Contribution Agreement on December 5, 2003 (the "Contribution Date"). Pursuant to the Asset Contribution Agreement, on the Contribution Date:

- ?? The Debtors, Globalstar Corporation and Globalstar Satellite Services, Inc. (the "Globalstar Contributing Entities") transferred substantially all of their non-cash, unregulated assets (other than contracts) to Globalstar Holdings LLC, a newly formed Delaware limited liability company ("GS Holdings"), in exchange for a 93.4% membership interest in GS Holdings, and Thermo contributed \$700,000 in cash to GS Holdings in exchange for a 6.6% membership interest in GS Holdings.
- ?? Thereafter, GS Holdings transferred its non-cash assets plus \$500,000 in cash to New Globalstar in exchange for a 91.23% membership interest in New Globalstar (a "Membership Interest"), and Thermo contributed \$1.0 million in cash to New Globalstar in exchange for an 8.77% Membership Interest.
- ?? After that, New Globalstar contributed its depreciable assets to Globalstar Leasing LLC, a newly formed Delaware limited liability company ("Globalstar Leasing"), in exchange for a 98% membership interest in Globalstar Leasing, which then leased those assets back to New Globalstar pursuant to a lease agreement, dated as of December 5, 2003 (the "Lease Agreement"). Two affiliates of Thermo contributed \$100,000 in cash to Globalstar Leasing and together own the remaining 2% membership interest in Globalstar Leasing.
- ?? Globalstar and certain of its affiliates entered into a management agreement, dated as of December 5, 2003 (the "Management Agreement"), pursuant to which the Globalstar business was managed by New Globalstar until the remaining operating assets held by the Globalstar Contributing Entities were transferred to GS Holdings in the second step described below.
- ?? In addition, the Thermo DIP Lender purchased the rights of ICO Investment Corp., in its capacity as lender (the "ICO DIP Lender"), under Globalstar's then-existing debtor-in-possession financing agreement (the "ICO DIP Facility") for a \$10.0 million promissory note (the "Thermo Note") and approximately \$10.7 million in cash, and the ICO DIP Facility was then amended and restated to become the Thermo DIP Facility in order to provide the Debtors with funding prior to the second step described below.

Upon the completion of the foregoing transactions, (a) New Globalstar was directly owned 91.23% by GS Holdings and 8.77% by Thermo, (b) GS Holdings was directly

owned 93.4% by the Debtors and 6.6% by Thermo and (c) Globalstar Leasing was directly owned 98% by New Globalstar and 2% by affiliates of Thermo.

Step Two: The second step was completed on April 14, 2004 (*i.e.*, the Interest Acquisition Date). On the Interest Acquisition Date:

- ?? Thermo converted all but \$10.0 million of the amount outstanding under the Thermo DIP Facility into equity of New Globalstar and agreed to contribute to New Globalstar an additional amount of cash such that Thermo had invested or committed to invest a total of \$43.0 million, whereupon Thermo directly owned an 80.34% Membership Interest. (The \$43.0 million invested or to be invested by Thermo will be comprised of cash amounts paid by the Thermo DIP Lender in connection with its purchase of the ICO DIP Facility, cash amounts advanced by the Thermo DIP Lender under the Thermo DIP Facility and amounts otherwise contributed by Thermo directly (or indirectly through GS Holdings) to New Globalstar; under the Asset Contribution Agreement, Thermo is required to invest not less than (a) \$25.0 million on or before the 160<sup>th</sup> day following the Interest Acquisition Date, (b) \$30.0 million on or before the first anniversary of the Interest Acquisition Date and (c) \$35.0 million on or before the date that is 18 months after the Interest Acquisition Date.)
- ?? Thermo then purchased from the Globalstar Contributing Entities a 92.4% membership interest in GS Holdings in exchange for the transfer to the Debtors of an 18.75% Membership Interest and the release by the Thermo DIP Lender of all obligations of the Globalstar Contributing Entities under the Thermo DIP Facility.
- ?? The Globalstar Contributing Entities contributed all of their cash, with the exception of certain amounts reserved to pay wind-up expenses (the "Wind-Up Funds"), to GS Holdings, which then contributed all such cash to New Globalstar.
- ?? The Globalstar Contributing Entities also contributed their regulated assets and contracts that were not contributed on the Contribution Date, including 100% of the outstanding capital stock or other equity interests of Globalstar USA, LLC and Globalstar Caribbean Ltd. (the "Licensees"), to GS Holdings, which then contributed all such assets to New Globalstar.

?? In addition, all liens associated with the Thermo DIP Facility were released. As a result of the consummation of all of the transactions contemplated by the Asset Contribution Agreement, (a) New Globalstar is directly owned 61.59% by Thermo, 18.75% by the Debtors and 19.66% by GS Holdings, (b) GS Holdings is owned 99% by Thermo and 1% by the Debtors, and (c) Globalstar Leasing is owned 98% by New Globalstar and 2% by affiliates of Thermo. All statements in this Disclosure Statement regarding percentages of Membership Interests assume no additional issuances of Membership Interests are made prior to 4:00 p.m., New York City time, on the date that is the 180<sup>th</sup> day following the Interest Acquisition Date or, if such day is not a Business Day, the next following Business Day (the "Rights Expiration Time").

Following the effectiveness of the Plan, the 18.75% Membership Interest in New Globalstar held by the Debtors and, upon any sale of the 1% interest in GS Holdings held by the Debtors, the proceeds of such sale (the "GSHI Proceeds"), if in excess of \$100,000, will be distributed to the holders of certain Allowed Claims. Of the 18.75% Membership Interest in New Globalstar, 0.4888% will be distributed to certain holders

of Commitment Fee Claims as described below and the remaining 18.2612% (the "Base Creditor Membership Interest") will be distributed holders of Allowed Claims in Class 4 or Class 5.

For a description of the Asset Contribution Agreement and certain additional matters relating to New Globalstar, see Articles VII and VIII of this Disclosure Statement.

**Treatment of Claims and Interests**

Under the Plan, holders of certain Allowed Claims will receive, in satisfaction of those Claims, distributions of (a) cash, (b) the proceeds recovered under pertinent insurance policies, or (c) Membership Interests and GSHI Proceeds (if in excess of \$100,000). The types of consideration to be distributed to holders of Claims and Interests are summarized below.

<u>Class</u>	<u>Distributions</u>
Class 1.....	Cash
Class 2.....	Cash
Class 3.....	Cash
Class 4.....	Membership Interests/GSHI Proceeds
Class 5.....	Membership Interests/GSHI Proceeds
Class 6.....	Proceeds Under Pertinent Insurance Policies
Class 7.....	No Distributions
Class 8.....	No Distributions

Additionally, a holder of (a) an Allowed Claim in Class 4, if such Claim is an Allowed Claim as of the Rights Expiration Time, or (b) an Allowed Claim in Class 5 (each an "Undisputed Holder") will receive the following rights:

?? Series A Right. Series A Rights are uncertificated rights exercisable in the aggregate to purchase a 15.12% Membership Interest for \$8.0 million. Each Undisputed Holder of a Series A Right will have the right to acquire all or any portion of its pro rata share of such Membership Interest and, subject to prorationing, all or any portion of the remaining part of such Membership Interest, all subject to the provisions of Section VIII.C of the Plan, which provide for reserves from such Membership Interest in order to permit the exercise of Series A Rights by holders of Disputed Claims in Class 4. The Series A Rights must be exercised before the Rights Expiration Time. The proceeds received by New Globalstar for Membership Interests issued upon exercise of Series A Rights will be utilized to repurchase from Thermo an equivalent amount of its Membership Interest, thereby reducing Thermo's ownership of New Globalstar by an amount equivalent to the increase in ownership of New Globalstar by the holders of the Series A Rights. For a detailed description of the Series A Rights, see Section VIII.B.2 of this Disclosure Statement.

?? Series B Right. Series B Rights are uncertificated rights exercisable in the aggregate to purchase a 2.5% Membership Interest for \$4.0 million. Each holder of a Series B Right will have the right to acquire all or any portion of its pro rata share of such Membership Interest and, subject to prorationing, all or any portion of the remaining part of such Membership Interest, all subject to the provisions of Section VIII.C of the Plan, which provide for reserves from such Membership Interest in order to permit the exercise of Series B Rights by holders of Disputed Claims in Class 4. The Series B Rights must be exercised before the Rights Expiration Time. The proceeds received by New Globalstar for Membership Interests issued upon exercise of Series B Rights will be utilized to repurchase from Thermo an equivalent amount of its Membership Interest, thereby reducing Thermo's ownership of New Globalstar by an amount equivalent to the increase in ownership of New Globalstar by the holders of the Series B Rights. For a detailed description of the Series B Rights, see Section VIII.B.2 of this Disclosure Statement.

For a description of treatment of Claims and Interests under the Plan, including distribution amounts and estimates of percentage recovery by holders of Claims, see Article III of this Disclosure Statement.

**Release of Loral and Impact on Treatment of Class 4**

The Plan provides that each holder of an Allowed General Unsecured Claim will also receive additional Membership Interests and, if applicable, additional GSHI Proceeds if such holder votes to accept the Plan or is otherwise bound to the Third Party Release of the Loral Entities. A holder of an Allowed General Unsecured Claim voting to accept the Plan or that is otherwise bound to such Third Party Release will receive additional consideration equal to its pro rata share (determined with reference only to those holders voting to accept the Plan or otherwise bound to the Third Party Release) of the consideration attributable to a \$315 million General Unsecured Claim, plus, if a Securities Litigation Settlement Event does not occur (*i.e.*, the Loral Entities do not settle the Securities Class Action pursuant to an approved settlement agreement on or before the first anniversary of the Effective Date), the consideration attributable to an additional \$105 million General Unsecured Claim. Thus, if a Securities Litigation Settlement Event does not occur, a holder of an Allowed General Unsecured Claim entitled to receive this additional consideration would receive additional consideration equal to its pro rata share (as described in this paragraph, above) of the consideration attributable to a \$420 million General Unsecured Claim (corresponding to the reduction of the Allowed Loral Claims by \$420 million).

**This proposed treatment has not been agreed to by the Loral Entities or the Creditors Committee. The Loral Entities and the Creditors Committee each have reserved all rights with respect to the distribution of the consideration on account of the reduction in the Allowed Loral Claims by \$420 million. Thus, there can be no assurance that the Plan will not be modified to reduce or increase the amount of such consideration distributed to holders of General Unsecured Claims that are bound to the Third Party Release of the Loral Entities.**

**Commitment Fee Claims**

In full satisfaction, release and discharge of all Claims (including Administrative Claims and the Commitment Fee Claim) of the Creditor DIP Lenders under the Creditor DIP Facility: (i) each Creditor DIP Lender, other than ICO Investment Corp., shall receive Membership Interest equal to 0.1222% (subject to a reduction as a result of QUALCOMM Dilution, if any) of the Aggregate Membership Interest, (ii) ICO Investment Corp. shall receive \$50,000 cash from the \$250,000 in escrowed funds held by the Escrow Agent in respect of the cash Commitment Fee under the Creditor DIP Facility, (iii) lead and local counsel for the Creditor DIP Lenders will receive their reasonable unpaid fees and expenses incurred in connection with their representation of the Creditor DIP Lenders.

For a description of the Commitment Fee and the Plan procedures for resolving any valuation dispute relating thereto, see Section III.A.3 of this Disclosure Statement.

**Information Regarding  
New Globalstar and the  
Membership Interests**

The rights of holders of Membership Interests are governed by the amended and restated limited liability company agreement of New Globalstar (*i.e.*, the New Globalstar LLC Agreement), a copy of which is attached as Exhibit D to this Disclosure Statement. Under the New Globalstar LLC Agreement:

- ?? Board Representation. The Board of Directors of New Globalstar (the "New Globalstar Board") is to consist of seven members, six of whom are to be designated by Thermo and one of whom is to be designated by holders of a majority of the Membership Interests not held by Thermo, unless at least one-half of the Membership Interests issuable upon exercise of Series A Rights and Series B Rights are issued, in which case five directors are to be designated by Thermo and two are to be designated by holders of a majority of the Membership Interests not held by Thermo (each a "Minority Director"). The initial Minority Director(s) following the Effective Date will be designated by the Creditors Committee. Each committee of the New Globalstar Board is required to include at least one Minority Director.
- ?? Minority Protections. Holders of Membership Interests have additional protections as follows:
  - ?? Restrictions on Specified Activities: Specified activities of New Globalstar, including, among others, certain transactions with Thermo, require the prior approval of holders of at least 75% of the outstanding Membership Interests.
  - ?? Preemptive Rights: Each holder of Membership Interests has a preemptive right with respect to the issuance and sale by New Globalstar of additional Membership Interests, subject to certain exceptions and limitations.
  - ?? Tag Along Rights: Each holder of Membership Interests has the right to participate in any sale of Membership Interests by holders of a majority of the Membership Interests if any holders of a majority agree to a sale of all or a part of their Membership Interests.
  - ?? Restriction on Amendments: The provisions governing the minority protections described above may not be amended without either the unanimous consent of the New Globalstar Board (including each Minority Director) or holders of a majority of the Membership Interests not held directly or indirectly by Thermo.
- ?? Restrictions on Transfer. For an initial period after the Interest Acquisition Date (the "Lock-Up Period"), Membership Interests are not transferable without the consent of the New Globalstar Board. On a date to be determined by the New Globalstar Board, which date (the "Lock-Up Expiration Date") will be at least 24 months, but not more than 30 months, after the Interest Acquisition Date, Membership Interests will become transferable without first obtaining such consent. In connection therewith, New Globalstar will make all necessary filings and take all other necessary steps to register the Membership Interests (or any successor equity securities thereto) pursuant to Section 12 of the Exchange Act, with such registration to become effective on or prior to the Lock-Up Expiration Date.

?? Conversion to Corporate Form. The New Globalstar Board may at any time convert New Globalstar from a limited liability company to a corporation or take other such similar action if it determines that such actions are desirable or helpful to the business of New Globalstar and, in any event, New Globalstar will become a corporation on or prior to the Lock-Up Expiration Date.

For a further description of the New Globalstar LLC Agreement, see Article VIII of this Disclosure Statement.

**Timing of Distributions** Except as otherwise provided in the Plan, distributions of cash or allocations of the Base Creditor Membership Interest to be made on the Effective Date to holders of Claims that are Allowed Claims as of the Effective Date will be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable, but in any event no later than: (1) 30 calendar days after the Effective Date or (2) such later date when the applicable conditions of Section VI.D.2 of the Plan (regarding undeliverable distributions) or Section VI.I of the Plan (regarding surrender of canceled instruments and securities) are satisfied. Distributions on account of Claims that become Allowed Claims after the Effective Date will be made on the Quarterly Distribution Date following the calendar quarter in which such Claim became an Allowed Claim pursuant to a Final Order. Distributions of other consideration will be made in accordance with the provisions of the Plan governing such distributions. See Section X.A of this Disclosure Statement.

**Dissolution of Debtors** As a result of the transactions contemplated by the Asset Contribution Agreement, the Debtors have no operations and, except for the Base Creditor Membership Interest received by them in such transactions (which is to be distributed to holders of certain Allowed Claims) and a 1% interest in GS Holdings (which is to be transferred to the Disbursing Agent and liquidated as provided in the Plan), their assets include only equity interests in certain inactive subsidiaries with no operational assets, certain causes of action, including causes of action arising under chapter 5 of the Bankruptcy Code (which are to be transferred to New Globalstar upon the Effective Date), cash (which is to be transferred to New Globalstar upon the Effective Date except to the extent it is necessary to effectuate the Plan) and possibly pre-petition executory contracts and unexpired leases that are to be rejected. See Article VII of this Disclosure Statement. As a result, the Plan provides that Globalstar and the GLP Subsidiary Debtors will be deemed dissolved immediately following the Effective Date and will file certificates of dissolution with the office of the Secretary of State for the State of Delaware promptly thereafter.

## **II. VOTING AND CONFIRMATION HEARING**

### **A. HOLDERS OF CLAIMS ENTITLED TO VOTE**

A ballot for the acceptance or rejection of the Plan and for any election for treatment of a Claim under the Plan, if applicable, is enclosed with this Disclosure Statement and submitted to the holders of Claims that the Debtors believe are entitled to vote to accept or reject the Plan (the "Ballot").

The Disclosure Statement Order, a copy of which is attached hereto as Exhibit B, sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan. In addition, detailed voting instructions accompany each Ballot, similarly setting forth the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the Plan, the record date for voting purposes and the applicable standards for tabulating Ballots. Each holder of a Claim entitled to vote on the Plan should read this Disclosure Statement, the Plan and the instructions accompanying the Ballot in their entirety before voting on the Plan. These documents contain important information concerning the classification of Claims for voting purposes and the tabulation of votes. No solicitation of votes to accept the Plan may be made except pursuant to section 1125 of the Bankruptcy Code.

Pursuant to the provisions of the Bankruptcy Code, only holders of allowed claims or equity interests in classes of claims or equity interests that are impaired and that are not deemed to have rejected a proposed chapter 11 plan are entitled to vote to accept or reject such plan. Classes of claims or equity interests in which the holders of claims or equity interests are unimpaired under a chapter 11 plan are deemed to have accepted the plan and are not entitled to vote to accept or reject the plan. Classes of claims or equity interests in which the holders of claims or equity interests will receive no recovery under a chapter 11 plan are deemed to have rejected the plan and are not entitled to vote to accept or reject the plan.

Claims in each of Class 1 (Priority Claims), Class 2 (Secured Claims) and Class 6 (Insured Claims) will, pursuant to the Plan, be rendered unimpaired in accordance with section 1124 of the Bankruptcy Code. Claims or Interests, as applicable, in each of Class 3 (Convenience Claims), Class 4 (General Unsecured Claims), Class 5 (Loral Claims), Class 7 (Securities Litigation Claims), and Class 8 (Interests) are impaired under the Plan. Holders of Claims or Interests in each of Classes 7 and 8 will receive no recovery under the Plan. Accordingly, holders of Claims in Classes 1, 2 and 6 are conclusively presumed to have accepted the Plan and holders of Claims and Interests in Classes 7 and 8 are deemed to have rejected the Plan. Therefore, only holders of Claims in Classes 3, 4 and 5 are entitled to vote to accept or reject the Plan. For a description of the classification and treatment of Claims and Interests under the Plan, see Article III of this Disclosure Statement.

The Bankruptcy Code defines "acceptance" of a plan by a class of claims as acceptance by creditors in that class that hold at least two-thirds in dollar amount and more than one-half in number of the claims that cast ballots for acceptance or rejection of the plan. Accordingly, claims that do not cast ballots will have no effect on the outcome of the voting. A vote may be disregarded if the bankruptcy court determines after notice and a hearing that such acceptance or rejection was not solicited or procured in good faith and in accordance with the provisions of the Bankruptcy Code. For a more detailed description of the requirements for confirmation of the Plan, see Article XI of this Disclosure Statement.

If the Classes of Claims entitled to vote on the Plan reject the Plan, the Debtors reserve the right to amend the Plan or request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code, or both. Section 1129(b) permits the confirmation of a chapter 11 plan notwithstanding the nonacceptance of a plan by one or more impaired classes of claims or equity interests. Under that section, a plan may be confirmed by a bankruptcy court if it does not "discriminate unfairly" and is "fair and equitable" with respect to each nonaccepting class. For a more detailed description of the requirements for confirmation of a nonconsensual plan, see Section XI.C of this Disclosure Statement. With respect to the holders of Claims in Class 7 and Interests in Class 8 which are deemed to have rejected the Plan, the Debtors will request confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code.

## **B. VOTING PROCEDURES**

If you are entitled to vote to accept or reject the Plan, a Ballot is enclosed for the purpose of voting on the Plan. Unless you are a beneficial owner of a Senior Notes Claim and received your ballot from your broker, dealer, commercial bank, trust company or other nominee, please vote and return your Ballot to:

Globalstar, L.P.  
c/o Robert L. Berger & Associates, L.L.C.  
DMB 1014  
10351 Santa Monica Blvd., Suite 101A  
Los Angeles, California 90025

**DO NOT RETURN ANY NOTES, CERTIFICATES OR OTHER INSTRUMENTS WITH YOUR BALLOT.**

**TO BE COUNTED, YOUR BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE RECEIVED BY 5:00 P.M., PACIFIC TIME, ON JUNE 7, 2004 BY ROBERT L. BERGER & ASSOCIATES, L.L.C. (THE "BALLOTING AGENT"). ANY EXECUTED BALLOT RECEIVED THAT DOES NOT INDICATE EITHER AN ACCEPTANCE OR REJECTION OF THE PLAN WILL NOT BE COUNTED AS A VOTE ON THE PLAN.**

**A CREDITOR WHOSE CLAIMS ARE HELD IN THE NAME OF A BROKER, DEALER, COMMERCIAL BANK, TRUST COMPANY OR OTHER NOMINEE MUST COMPLETE AND DELIVER TO SUCH NOMINEE THE BALLOT(S) PROVIDED TO SUCH CREDITOR IN ORDER TO VOTE ON THE PLAN. SUCH CREDITORS SHOULD DELIVER SUCH BALLOT(S) TO THEIR RESPECTIVE NOMINEE SO THAT THE NOMINEE HAS SUFFICIENT TIME TO PROCESS THE BALLOT AND TO SUBMIT A MASTER BALLOT TO THE BALLOTING AGENT NO LATER THAN 5:00 P.M., PACIFIC TIME, ON JUNE 7, 2004. IF YOU VOTE IN FAVOR OF THE PLAN, YOUR NOMINEE MUST FURNISH A COPY OF YOUR BALLOT TO THE BALLOTING AGENT.**

If you are a holder of a Claim entitled to vote on the Plan and did not receive a Ballot, received a damaged Ballot, lost your Ballot or if you have any questions concerning this Disclosure Statement, the Plan or the procedures for voting on the Plan, please call Robert L. Berger & Associates, L.L.C. at (818) 759-1886.

By voting in favor of the Plan, you are specifically consenting to the Third Party Releases in favor of the Loral Entities and to the release of any claims you may have against QUALCOMM Incorporated ("QUALCOMM") and other parties relating to the Debtors. In addition, by voting in favor of the Plan, you are consenting to a copy of your Ballot being provided to the Balloting Agent and, among others, the parties released pursuant to Section XII.A of the Plan whether or not you send your Ballot directly to your nominee.

Any Claim in an impaired Class as to which an objection or request for estimation of Claim amount is pending or which is scheduled by the Debtors as unliquidated, disputed or contingent and for which no proof of Claim has been filed is not entitled to vote unless the holder of such Claim has obtained an order of the Bankruptcy Court temporarily allowing such Claim for the purpose of voting on the Plan.

Pursuant to the Disclosure Statement Order, the Bankruptcy Court set \_\_\_\_ \_\_, 2004 as the record date for voting on the Plan. Accordingly, only holders of record as of April 28, 2004 that otherwise are entitled to vote under the Plan will receive a Ballot and may vote on the Plan.

### **C. CONFIRMATION HEARING**

Pursuant to section 1128 of the Bankruptcy Code a Confirmation Hearing will be held on June 17, 2004, commencing at 3:00 p.m. Eastern time, before the Honorable Peter J. Walsh, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801, or such other location as the Bankruptcy Court directs. The Bankruptcy Court has directed that objections, if any, to confirmation of the Plan be served and filed so that they are received no later than June 7, 2004, at 4:00 p.m. Eastern time, in the manner described below in Section XI.B of this Disclosure Statement. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing.

## **III. CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS**

The classification of Claims and Interests, the estimated aggregate amount of Claims in each Class and the amount and nature of distributions to holders of Claims in each Class are summarized below. In accordance with section 1123(a)(1) of the Bankruptcy Code, Administrative Claims and Priority Tax Claims have not been classified but are treated pursuant to the Plan.

### **A. UNCLASSIFIED CLAIMS**

#### **1. Treatment of Administrative Claims**

"Administrative Claims" are Claims for any right to payment constituting a cost or expense of administration of the Chapter 11 Cases under sections 503(b) and 507(a)(1) of the Bankruptcy Code, including (a) any actual and necessary costs and expenses of preserving the Estates of the Debtors, (b) any actual and necessary costs and expenses of operating the businesses of the Debtors, (c) any indebtedness or obligations incurred

or assumed by the Debtors in connection with the conduct of their business or for the acquisition or lease of their properties, including intercompany obligations accorded priority pursuant to an order of the Bankruptcy Court, (d) any allowances of compensation and reimbursement of expenses to the extent allowed by Final Order under section 330 or 503 of the Bankruptcy Code, whether fixed before or after the Effective Date, (e) any fees or charges assessed against the estate of the Debtors under section 1930, chapter 123, title 28, United States Code, including any post-Confirmation Date and post-Effective Date fees and charges, and (f) any Claims treated as Administrative Claims in accordance with the Plan.

Except to the extent that a holder of an Administrative Claim and the Debtors otherwise agree, each holder of an Administrative Claim will receive, in full satisfaction of its Administrative Claim, cash equal to the allowed amount of such Administrative Claim either (a) on the Effective Date or (b) if such Administrative Claim is not allowed as of the Effective Date, 30 days after the date on which such Claim becomes an Allowed Administrative Claim, or as soon after such date as is practicable, but no later than five Business Days after such date. Administrative Claims based on liabilities incurred in the ordinary course of business by the Debtors will be paid in full by the Debtors or New Globalstar in the ordinary course of business in accordance with the terms and subject to the conditions of any agreements governing, instruments evidencing, or other documents relating to, such liabilities.

## **2. Treatment of Compensation and Reimbursement Claims**

"Compensation and Reimbursement Claims" are Administrative Claims for the compensation of professionals and reimbursement of expenses incurred by such professionals pursuant to section 330(a), 331, 503 or 1103 of the Bankruptcy Code. All payments to professionals for Compensation and Reimbursement Claims will be made in accordance with the procedures established by the Bankruptcy Code, the Bankruptcy Rules and the Bankruptcy Court relating to the payment of interim and final compensation for services rendered and reimbursement of expenses. The Bankruptcy Court will review and determine all applications for compensation for services rendered and reimbursement of expenses incurred.

Pursuant to the Plan, holders of Compensation and Reimbursement Claims seeking payment (a) must file their respective final applications for allowance of compensation for services rendered and reimbursement of expenses incurred through the Effective Date by no later than the date that is 60 days after the Effective Date or such other date as may be fixed by the Bankruptcy Court, and (b) if granted such an award by the Bankruptcy Court, will be paid in full in such amounts as are allowed by the Bankruptcy Court (i) on the date such Claim becomes an Allowed Administrative Claim, or as soon thereafter as is practicable, but in no event later than five Business Days thereafter, or (ii) upon such other terms as may be mutually agreed upon by such holder of an Administrative Claim and the Debtors.

## **3. Treatment of Fees Under the Creditor DIP Facility**

The Creditor DIP Facility provides that the Commitment Fee payable to the Creditor DIP Lenders is the amount equal to the greater of (a) \$250,000, payable in cash, or (b) 10% of the value of the consideration received by the creditors in Classes 4 and 5 in excess of \$55 million up to \$155 million plus 5% of the value of such consideration in excess of \$155 million, payable in kind. Based upon the value of the consideration to be provided to such creditors implied solely from the pricing of the Thermo transaction, the Creditor DIP Lenders would have received \$250,000 in cash. The Creditor DIP Lenders asserted that they do not believe such implied value is the appropriate value to use and that they might be entitled to a Commitment Fee payable in kind depending on the value determined on the date of distributions to creditors. On March 29, 2004, the Creditor DIP Lenders filed an objection to the Disclosure Statement for the Debtors' Second Amended Plan to preserve their rights.

Thereafter, the Debtors, in consultation with the Creditors Committee, negotiated a settlement with the Creditor DIP Lenders. Pursuant to such settlement, each of the five Creditor DIP Lenders could, at such lender's option, receive either \$50,000 cash from the \$250,000 in escrowed funds held by the Escrow Agent or a 0.1222% Membership Interest. Four of the Creditor DIP Lenders have elected to receive Membership Interests.

As a result of the elections made by the Creditor DIP Lenders pursuant to the settlement, in full satisfaction, release and discharge of all Claims (including Administrative Claims and the Commitment Fee Claim) of the Creditor DIP Lenders under the Creditor DIP Facility: (i) each Creditor DIP Lender, other than the ICO DIP

Lender, will receive, a 0.1222% Membership Interest, (ii) the ICO DIP Lender will receive \$50,000 from the \$250,000 in escrowed funds held by the escrow agent (the "Escrow Agent") in respect of the cash Commitment Fee under the Creditor DIP Facility (the "Escrow"), (iii) lead and local counsel for the Creditor DIP Lenders will receive their reasonable unpaid fees and expenses incurred in connection with their representation of the Creditor DIP Lenders.

Based on the Debtors' valuation of the Membership Interests, the aggregate value of the consideration to be received by the four Creditor DIP Lenders who elected to receive Membership Interests is approximately \$259,000. The remaining Creditor DIP Lender elected to receive \$50,000 cash. Thus, the Debtors believe that the total value to be provided to the Creditor DIP Lenders under the settlement (ignoring fees and disbursements of counsel) is approximately \$309,000 and the remaining escrowed cash (net of fees and disbursements of counsel) will be delivered to New Globalstar by the Escrow Agent.

The Debtors believe they had defenses to the payment of any Commitment Fee to one Creditor DIP Lender, and could assert defenses with regard to the payment of the Commitment Fee in kind based on their view of the value of the consideration payable to creditors in Classes 4 and 5. The Creditor DIP Lenders, in addition to disagreeing with the Debtors' valuation, contend that there is only one aggregate Commitment Fee and that there cannot be a defense to the payment to one of the Creditor DIP Lenders. Nevertheless, the Debtors believe that the proposed settlement of the dispute is appropriate because the increase in the consideration to be received as a result of the settlement - \$109,000 over the amount of the Commitment Fee to which the Creditor DIP Lenders would be entitled (based on the Debtors' valuation) – likely would be exceeded by the litigation costs if these matters were litigated, even assuming the Debtors prevailed in all aspects of the litigation. Any litigation with the Creditor DIP Lenders would likely be contentious, and to the extent the Creditor DIP Lenders were asserting a right to an in-kind payment of the Commitment Fee, would likely require expert testimony and an evidentiary hearing and there can be no assurance that the Debtors ultimately would prevail. If the Creditor DIP Lenders were to prevail, they might be entitled to a greater percentage of Membership Interests, either directly or through the exercise of Series A Rights or Series B Rights. Moreover, the Creditor DIP Lenders have asserted that their legal fees and expenses in having to pursue collection of the in-kind Commitment Fee through litigation would be payable by the Debtors. Accordingly, the Debtors believe this resolution is appropriate. Additionally, the proposed settlement will result in the remaining escrowed cash (net of fees and disbursements of counsel) being made available to New Globalstar and will avoid the additional complexities of providing for the exercise of Series A Rights and Series B Rights by Creditor DIP Lenders in respect of their disputed Commitment Fee Claims.

#### **4. Treatment of Priority Tax Claims**

Priority Tax Claims are Claims for taxes entitled to priority in payment under section 507(a)(8) of the Bankruptcy Code. The Debtors estimate that the aggregate Priority Tax Claims will be approximately \$93,000.

Unless otherwise agreed by the holder of a Priority Tax Claim and the applicable Debtor, each holder of an Allowed Priority Tax Claim will receive, in full satisfaction of its Priority Tax Claim, on the later of (i) the Effective Date or (ii) 30 calendar days after such Priority Tax Claim becomes an Allowed Priority Tax Claim, or as soon after such dates as is practicable, cash in an amount equal to such Allowed Priority Tax Claim.

#### **5. Treatment of Indenture Trustee's Claims**

Pursuant to the Plan, The Bank of New York, as indenture trustee for the Senior Note Indentures (the "Indenture Trustee") will have an Allowed Administrative Claim in an amount equal to the reasonable and necessary fees and expenses incurred by the Indenture Trustee and its counsel to the extent provided in the Senior Notes Indentures. On or before 60 days after the Effective Date, the Indenture Trustee must provide the Debtors, New Globalstar, and the Creditors Committee with a reasonably detailed invoice for such fees and expenses incurred through and including the Effective Date. If a dispute arises as to such fees and expenses, then such dispute will be resolved by the Bankruptcy Court.

**B. CLASSIFIED CLAIMS AND INTERESTS; TREATMENT**

**1. Class 1 – Priority Claims**

Priority Claims are Claims that are entitled to priority in accordance with section 507(a) of the Bankruptcy Code (other than Administrative Expense Claims and Priority Tax Claims). Priority Claims include Claims for (a) accrued employee compensation earned within 90 calendar days prior to commencement of the Chapter 11 Cases to the extent of \$4,650 per employee and (b) contributions to employee benefit plans arising from services rendered within 180 calendar days prior to the commencement of the Chapter 11 Cases, but only for each such plan to the extent of (i) the number of employees covered by such plan multiplied by (ii) \$4,650 less the aggregate amount paid to such employees from the Estates for wages, salaries or commissions during the 90 calendar days prior to the Petition Date.

The Debtors believe that most Priority Claims have already been paid pursuant to an order of the Bankruptcy Court. Accordingly, the Debtors believe that the Allowed Priority Claims will be less than \$10,000.

Pursuant to the Plan, on the Effective Date or as soon thereafter as is practicable, each holder of an Allowed Priority Claim will receive cash in an amount equal to such Priority Claim in full and complete satisfaction of such Claim.

**2. Class 2 – Secured Claims**

Secured Claims are Claims against any Debtor to the extent secured by collateral. The Debtors do not believe that there are any material Secured Claims.

Pursuant to the Plan, on the Effective Date or as soon after as is practicable, unless otherwise agreed by the holder of a Secured Claim and the applicable Debtor, each holder of an Allowed Secured Claim will, at the option of the Debtors, and in full and complete satisfaction of such Claim (i) receive cash in an amount equal to such Allowed Secured Claim, including any interest on such Secured Claim required to be paid pursuant to section 506(b) of the Bankruptcy Code, if any, or (ii) be reinstated and rendered unimpaired in accordance with section 1124 of the Bankruptcy Code.

**3. Class 3 – Convenience Claims**

Convenience Claims are Claims against any Debtor, other than Senior Note Claims, that would otherwise be General Unsecured Claims, but with respect to each such Claim, the applicable Claim either (a) is equal to or less than \$5,000 or (b) is reduced to \$5,000 pursuant to an election by the holder of such Claim made on the Ballot provided for voting on the Plan by the Voting Deadline.

The Debtors estimate that the aggregate amount of Allowed Convenience Claims, including Claims that the Debtors believe may be reduced to \$5,000, will be approximately \$150,000.

Pursuant to the Plan, on the Effective Date or as soon thereafter as is practicable, each holder of an Allowed Convenience Claim will receive cash in an amount equal to the product of (a) 0.6 multiplied by (b) the amount of such Allowed Convenience Claim (but in no event shall the amount of such Claim exceed \$5,000) in each case in full and complete satisfaction of such Allowed Convenience Claim.

Each holder of an Allowed Convenience Claim will receive 60% of its Allowed Convenience Claim in cash. A holder of an Allowed General Unsecured Claim (other than a Senior Note Claim) that voluntarily reduces such Allowed Claim will not receive any distribution on account of such Allowed Claim in excess of \$3,000.

**4. Class 4 – General Unsecured Claims**

A "General Unsecured Claim" is any Claim against a Debtor that is not an Administrative Claim, Priority Claim, Priority Tax Claim, Secured Claim, Convenience Claim, Insured Claim, Loral Claim or Securities Litigation

Claim. The Debtors estimate that the aggregate of all Allowed General Unsecured Claims will be approximately \$2.6 billion. The Plan provides that certain General Unsecured Claims are Allowed Claims. These are (i) the Senior Note Claims, which are allowed as follows: 11.375% Senior Notes due February 15, 2004, are allowed in the aggregate amount of \$590,597,710.94; the 11.25% Senior Notes due June 15, 2004, are allowed in the aggregate amount of \$369,522,461; the 10.75% Senior Notes due November 1, 2004, are allowed in the aggregate amount of \$372,248,677.92; and the 11.5% Senior Notes due June 1, 2004, are allowed in the aggregate amount of \$343,556,250, (ii) vendor financing Claims related to third party subcontractors to Space Systems/Loral, Inc. ("SS/L"), as listed on Schedule 7.1 of the Loral Settlement Agreement, including those arising under that certain agreement, dated as of February 16, 1994, between SS/L and GLP, as such agreement may have been subsequently modified, amended or supplemented, (the "Loral Vendor Financing Claims"), which are allowed in the aggregate amount of \$52,413,216, and (iii) claims of QUALCOMM and its affiliates, which are allowed in the aggregate amount of \$661,296,661.30.

Generally, the Plan provides that each holder of an Allowed General Unsecured Claim will receive Membership Interests, GSHI Proceeds, if any and only if such proceeds exceed \$100,000, the Series A Rights and Series B Rights exercisable in accordance with Sections VIII.A and VIII.B of the Plan, and the ability to obtain additional Membership Interests and GSHI Proceeds if such holder voluntarily agrees to release (or is involuntarily bound by a release of) Loral, its affiliates, and certain related parties with respect to any Claim or Cause of Action relating to the Debtors. **A holder of an Allowed General Unsecured Claim bound by the releases in the Plan will not be able to pursue a Cause of Action against Loral or the other released parties for any Cause of Action relating to the Debtors.**

Each holder of an Allowed General Unsecured Claim will receive its pro rata share of 18.75% of the Membership Interests and, if the GSHI Proceeds exceed \$100,000, its pro rata share of the GSHI Proceeds, subject to the provisions of Section VII.C of the Plan, which provide for reserves to be established in connection with Disputed Claims. See Section X.J.3 of this Disclosure Statement for a description of the Disputed Claims Reserve. For purposes of these distributions, the pro rata share is calculated together with the Allowed Loral Claims (prior to any reduction). That means that each holder's pro rata share is the ratio of its Allowed General Unsecured Claim bears to all Allowed General Unsecured Claims plus the Allowed Loral Claims. For purposes of this pro rata calculation, such Allowed Loral Claims are valued before their reduction (*i.e.*, at approximately \$879.6 million).

In addition, each holder of an Allowed General Unsecured Claim that is an Allowed Claim as of the Rights Expiration Time will receive a Series A Right and Series B Right. If a General Unsecured Claim is not an Allowed Claim as of the Rights Expiration Time, the holder thereof may be eligible to receive a Series A Right and Series B Right under certain circumstances (see Section VIII.B.2 of this Disclosure Statement). As explained in more detail in Section VIII.B.2 of this Disclosure Statement, the Series A Rights and Series B Rights have a primary exercise component and an oversubscription exercise component. Each holder of an Allowed General Unsecured Claim as of the Rights Expiration Time will have the right to purchase its pro rata share of certain Membership Interests pursuant to the Series A Rights and Series B Rights (subject to the provisions of Section VIII.C of the Plan, which provide for reserves from such Membership Interests in order to permit the exercise of Series A Rights by holders of Disputed Claims in Class 4) by timely and validly completing the Series A Exercise Notice and the Series B Exercise Notice, respectively, and submitting the necessary funds. For purposes of the primary exercise distributions, the pro rata share is calculated together with the Allowed Loral Claims. Accordingly, each holder's pro rata share is the ratio of its Allowed General Unsecured Claim to all Allowed General Unsecured Claims as of the Rights Expiration Time plus the Allowed Loral Claims. For purposes of this pro rata calculation, such Allowed Loral Claims are valued after a reduction of \$420 million (*i.e.*, at approximately \$459.6 million) and the holders of Allowed General Unsecured Claims as of the Rights Expiration Time will be entitled to the primary exercise (in the aggregate) with respect to an additional \$420 million Claim. In addition to a primary exercise, each holder of an Allowed General Unsecured Claim as of the Rights Expiration Time receiving Series A Rights or Series B Rights may participate in an oversubscription. If all Undisputed Holders do not exercise their primary exercise rights, the Membership Interests attributable to such unexercised rights may be purchased by holders of Undisputed Claims, including holders of Allowed General Unsecured Claims as of Rights Expiration Time who do exercise their primary exercise rights and elect to participate in the oversubscription exercise. The allocation of Membership Interests pursuant to an oversubscription exercise will be made pro rata among parties participating in the oversubscription, with pro rata being determined by the amount such holders sought to obtain through the oversubscription exercise (rather than the Claim amounts of such holders). Thus, a holder of a \$100,000 Claim who

seeks an additional 3% Membership Interest pursuant to a Series A Right oversubscription would receive the same amount of Membership Interests on account of such Oversubscription Exercise as a holder of a \$10.0 million Claim who sought an additional 3% Membership Interest pursuant to a Series A Right oversubscription. Holders of Disputed General Unsecured Claims as of the Rights Exercise Time may exercise Series A Rights and Series B Rights only as provided in Section VIII.C of the Plan.

Finally, each holder of an Allowed General Unsecured Claim may be entitled to Release-Based Consideration. "Release-Based Consideration" consists of the Membership Interests and GSHI Proceeds, if any and only if such proceeds exceed \$100,000, that are attributable to the reduction of \$420 million in the amount of the Allowed Loral Claim. The Release-Based Consideration consists of two components — Standard Release-Based Consideration and Supplemental Release-Based Consideration, which are referred to collectively as the "Total Release-Based Consideration." The Total Release Based Consideration is based upon the reduction of the Allowed Loral Claims by \$420 million. The Standard Release-Based Consideration refers to the consideration attributable to a \$315 million General Unsecured Claim and the Supplemental Release-Based Consideration refers to the consideration attributable to another \$105 million General Unsecured Claim. Each holder of an Allowed General Unsecured Claim entitled to receive Release-Based Consideration because it voted to accept the Plan or is otherwise bound by the Third Party Release of the Loral Entities will receive its pro rata share (determined with reference to those holders who are entitled to receive such consideration) of Standard Release-Based Consideration. Supplemental Release-Based Consideration will be distributed to holders of Allowed General Unsecured Claims who are entitled to receive Standard Release-Based Consideration only if the Securities Litigation Settlement Event does not occur on or before the first anniversary of the Effective Date. Accordingly, if the Loral Entities enter into an agreement with the holders of Securities Litigation Claims and such agreement receives required approvals on or before the first anniversary of the Effective Date, the holders of Allowed General Unsecured Claims will not receive any Supplemental Release-Based Consideration. Instead, in that scenario, the Supplemental Release-Based Consideration will be distributed to the Loral Entities as such entities may allocate among themselves.

**This proposed treatment has not been agreed to by the Loral Entities or the Creditors Committee. The Loral Entities and the Creditors Committee each have reserved all rights with respect to the distribution of the consideration on account of the reduction in the Allowed Loral Claims by \$420 million. Thus, there can be no assurance that the Plan will not be modified to (i) reduce or increase the amount of such consideration distributed to holders of General Unsecured Claims that are bound to the Third Party Release of the Loral Entities and (ii) permit the Loral Entities, rather than holders of General Unsecured Claims, to exercise the Series A Rights and Series B Rights associated with the \$420 million Claim.**

As part of the Loral Settlement (see Section VI.G of this Disclosure Statement), the Loral Entities agreed to reduce their Allowed Claim by \$420 million, such that the consideration associated with the \$420 million Claim would be distributed to creditors bound to the Third Party Release. In addition, the Debtors and the Creditors Committee agreed to use their reasonable best efforts to obtain the broadest third party release in favor of the Loral Entities permitted by law.

Because the Asset Contribution Agreement contemplates that New Globalstar not be subject to the reporting requirements of the Exchange Act, there is a limitation, set by applicable securities laws, on the number of members that New Globalstar may have. Consistent with the Asset Contribution Agreement, the Debtors determined not to distribute consideration directly to holders of Securities Litigation Claims. Instead, to resolve these issues, the Debtors proposed returning to the Loral Entities the consideration that otherwise would have been distributed directly to holders of Securities Litigation Claims bound by the Third Party Release, provided that the Loral Entities settled such claims by the first anniversary of the Effective Date. The Debtors have proposed that 75% of the consideration associated with the \$420 million Claim be distributed to holders of General Unsecured Claims bound to the Third Party Release (other than the related Series A Rights and Series B Rights, of which 100% would be distributed), and that 25% of such consideration (excluding the related Series A Rights and Series B Rights) be distributed to the Loral Entities if they reach a settlement in the Securities Class Action by the first anniversary of the Effective Date (which settlement is approved by the court having jurisdiction over the Securities Class Action). If a settlement is not reached by that date, the 25% of such consideration would be distributed to the holders of General Unsecured Claims bound by the Third Party Release and the Loral Entities would receive nothing in respect of the distributions on the \$420 million Claim. The parties do not agree as to which creditors are entitled to such consideration or the allocation of the consideration among such creditors.

The Loral Entities and the Creditors Committee have not agreed to this proposed treatment and have each reserved all rights with respect thereto. In the past, the Loral Entities have asserted that all of the consideration associated with the \$420 million reduction of their Allowed Claim should be allocated for the benefit of holders of Securities Litigation Claims. If Loral were to litigate the issue of the appropriate allocation and were to prevail, a greater allocation of such consideration may be available for the Loral Entities. In that regard, the holders of General Unsecured Claims bound by the Third Party Release could receive less than the aggregate consideration associated with the Debtors' proposal, *i.e.*, the distributions on an additional \$315 million Allowed Claim. Conversely, if Loral were to litigate the issues of the appropriate allocation and were to lose, a greater allocation of such consideration may be available to holders of General Unsecured Claims bound by the Third Party Release. In addition, the Plan permits all holders of General Unsecured Claims (not just those bound to the Third Party Release) to exercise 100% of the Series A Rights and Series B Rights associated with the entire \$420 million Loral Claim reduction. There can be no assurance that the holders of General Unsecured Claims would be entitled to exercise these additional rights if the Loral Entities were to prevail. Furthermore, there can be no assurance that the Loral Entities would agree to the requirement that they settle with the holders of Securities Litigation Claims by the first anniversary of the Effective Date or concede that the Debtors and the Creditors Committee have complied with their respective obligations under the Loral Settlement.

**The Plan may be modified, without further notice, to make any necessary adjustments to provide for a reservation of rights for the Loral Entities or the Creditors Committee or to provide for a resolution of this dispute. Such a modification of the Plan would have an impact on the amount of the additional recovery for holders of Allowed General Unsecured Claims who are bound by the Third Party Release. In no event, however, could it reduce the recovery of those bound by the Third Party Release below the recoveries of holders who are not bound by the Third Party Release.**

For the purpose of determining the pro rata share of Release-Based Consideration, only those holders of General Unsecured Claims who are bound by the release in favor of Loral, its affiliates, and certain related parties will be taken into account. Thus, if the Bankruptcy Court does not approve of blanket releases in favor of Loral, its affiliates and certain third parties, and only holders of \$1 billion of Allowed General Unsecured Claims timely and validly vote to accept the Plan, a holder of a \$10.0 million Allowed General Unsecured Claim would receive 1.0% of the Release-Based Consideration.

Unless the Bankruptcy Court approves blanket releases or another category of releases, a holder of an Allowed General Unsecured Claim must timely and validly vote to accept the Plan to receive Release-Based Consideration that may be available to such holders. **By voting in favor of the Plan, the holder of an Allowed General Unsecured Claim is specifically consenting to release any claims it has or may have against the Loral Entities and their representatives for any matter relating to the Debtors. Holders of Allowed General Unsecured Claims are urged to read the relevant definitions and provisions of the Plan.**

Each holder of an Allowed General Unsecured Claim receiving a Membership Interest will receive written notice setting forth the Membership Interest such holder has received, as noted on the Schedule 1 to the New Globalstar LLC Agreement. **By accepting a Membership Interest, a holder of an Allowed General Unsecured Claim is deemed to have executed the New Globalstar LLC Agreement.** A description of material provisions of the New Globalstar LLC Agreement is set forth in Article VIII of this Disclosure Statement, and a copy of the New Globalstar LLC Agreement is attached hereto as Exhibit D. Any amendments to the New Globalstar LLC Agreement agreed to prior to the Confirmation Hearing will be filed with the Bankruptcy Court.

As described in more detail in Section X.J of this Disclosure Statement, the Plan provides for certain distribution mechanics and reserves for Disputed Claims.

## **5. Class 5 – Allowed Loral Claims**

"Loral Claims" are Claims of the Loral Entities other than (a) Administrative Claims arising (i) for cure amounts, if any, due in connection with the assumption and assignment of contracts or leases or (ii) in an ordinary course of business commercial transaction between a Debtor or any of its subsidiaries or its representatives, on the one hand, and Loral, Loral Space & Communications Corporation, SS/L, Loral/DASA Globalstar, L.P., Loral SpaceCom Corporation, Loral Satellite, Inc., Loral CyberStar International, Inc., or any direct and indirect

subsidiary or affiliate of the foregoing (other than the Debtors or their Non-Debtor Subsidiaries, GlobalTel C.J.S.C., ATTS/Loral Mexico, L.P., Mexico Satellite LLC, Globalstar de Mexico S. de R.L. de C.V., Servicios Corporativos Alcance S.A. de C.V., Loral/DASA Globalstar, L.P., Loral/DASA Brasil Holdings Ltda., and Globalstar do Brasil, S.A. or any subsidiaries of the foregoing)(the "Loral Entities"), LGP (Bermuda) Ltd., Loral/QUALCOMM Satellite Services, L.P., Loral/QUALCOMM Partnership, L.P. or Loral General Partner, Inc. (each, a "GP Debtor") or one of their representatives, on the other hand, (b) Claims arising under the Loral Settlement Agreement, (c) Claims for indemnification covered by insurance policies solely to the extent of such insurance coverage, and (d) certain vendor financing claims related to third party contractors to SS/L.

The Loral Claims are Allowed Claims in the amount of \$879,586,784; provided, however, that such Claims will be reduced by \$420 million if any creditor is bound by the releases approved by the Bankruptcy Court in favor of Loral, its affiliates and certain related parties. If, however, a Securities Litigation Settlement Event occurs on or before the first anniversary of the Effective Date, the holders of Allowed Loral Claims will receive their share of the consideration associated with a \$105 million Claim (other than Series A Rights and Series B Rights).

Each holder of an Allowed Loral Claim will receive its share (as determined by the Loral Entities) of the Loral Membership Interests and, if the GSHI Proceeds exceed \$100,000, its share (as determined by the Loral Entities) of the Loral GSHI Proceeds. For purposes of these distributions, the pro rata share for the entire Loral Claims is calculated together with the Allowed General Unsecured Claims. The Loral Membership Interests and the Loral GSHI Proceeds are equal to the pro rata share of the Membership Interests or GSHI Proceeds to be distributed in respect of the Allowed Loral Claim after giving effect to the \$420 million reduction. In addition, if the Securities Litigation Settlement Event occurs on or before the first anniversary of the Effective Date, the holders of Allowed Loral Claims will receive their share of the Supplemental Release-Based Consideration.

In addition, each holder of an Allowed Loral Claim will receive a Series A Right and Series B Right. As explained in more detail in Section VIII.B.2 of this Disclosure Statement, the Series A Rights and Series B Rights have a primary exercise component and an oversubscription exercise component. Each holder of an Allowed Loral Claim will have the right to purchase its share (as determined by the Loral Entities) of the pro rata share (allocable for the entire Loral Claim) of Membership Interests pursuant to the Series A Rights and Series B Rights (subject to the provisions of Section VIII.C of the Plan, which provide for reserves from such Membership Interests in order to permit the exercise of Series A Rights and Series B Rights by holders of Disputed Claims) by timely and validly completing the Series A Exercise Notice and Series B Exercise Notice and submitting the necessary funds. For purposes of the primary exercise distributions, the Loral Entities are not entitled to exercise any rights on account of the \$420 million reduction in the Allowed Loral Claim. Accordingly, the pro rata share (allocable for the entire Loral Claim) is calculated together with the Allowed General Unsecured Claims as of the Rights Expiration Time plus \$420 million, and for purposes of this calculation, the aggregate Allowed Loral Claim is reduced by \$420 million and, thus, the holders of Allowed General Unsecured Claims as of the Rights Expiration Time are entitled to the primary exercise with respect to such \$420 million reduction in the Allowed Loral Claim. In addition to a primary exercise, each holder of an Allowed Loral Claim receiving a Series A Right and Series B Right may participate in an oversubscription. If all Undisputed Holders do not exercise their primary exercise rights, the Membership Interests attributable to such unexercised rights may be purchased by holders of Undisputed Claims, including holders of Loral Claims, who exercise their primary exercise rights in full and elect to participate in the oversubscription exercise. The allocation of Membership Interests pursuant to an oversubscription exercise will be made pro rata among parties participating in the oversubscription, with pro rata being determined by the amount such holders sought to obtain (rather than the Claim of such holders). Thus, a holder of a \$100,000 Claim who seeks an additional 3% Membership Interest pursuant to a Series A Right oversubscription would receive the same Membership Interests on account of such Oversubscription Exercise as a holder of a \$10.0 million Claim who sought an additional 3% Membership Interest pursuant to a Series A Right oversubscription.

In addition, if a Securities Litigation Settlement Event occurs on or before the first anniversary of the Effective Date, each of the holders of Loral Claims will receive their share (which share shall be allocated as determined by the Loral Entities) of the Supplemental Release-Based Consideration.

**6. Class 6 – Insured Claims**

Insured Claims are Claims that would otherwise be General Unsecured Claims, Loral Claims, or Securities Litigation Claims but which Claims are insured by insurance policy coverage against the loss or damage giving rise to such Claims, but only to the extent such Claims are solely payable under such insurance policy.

Each holder of an Allowed Insured Claim is only entitled to payment from proceeds payable to the holder thereof under any pertinent insurance policies. To the extent insurance proceeds are unavailable and are not received by the Debtors (or their successors) to pay the holder of a Claim that would otherwise be an Insured Claim, the Claim is not an Insured Claim. For example, a Claim is not an Insured Claim if the Debtors do not receive payment on account thereof for any reason, including, without limitation, because the payment is subject to a deductible or self-insured retention that must be exhausted before the insurance carrier is obligated to make any payments. Instead, the Claim will be either a General Unsecured Claim, or Loral Claim, or Securities Litigation Claim as the case may be.

In addition, the Plan provides that the Debtors will have no obligation to incur costs to defend against or prosecute an objection to any Insured Claim, whether or not such action or inaction by the Debtors provides an insurance carrier with a defense to payment under an insurance policy.

**7. Class 7 – Securities Litigation Claims**

Securities Litigation Claims are Claims against any Debtor, whether or not subject to an existing lawsuit, arising from rescission of a purchase or sale of a security of the Debtors or an affiliate of the Debtors, for damages arising from such purchase or sale of (or decision not to sell) such a security, or for reimbursement or contribution allowed under section 502 of the Bankruptcy Code on account of such Claim allowed under section 502 of the Bankruptcy Code. Securities Litigation Claims include (a) those Claims asserted by purchasers of Senior Notes in the Securities Class Action *In re Globalstar Securities Litigation*, 01 Civ. 1748 (PKC) (the "Securities Class Action") pending in the United States District Court for the Southern District of New York and (b) any such Claims by shareholders of Globalstar Telecommunications Limited ("GTL") against any Debtor, including those asserted in the Securities Class Action pending in the United States District Court for the Southern District of New York. The Securities Litigation Claims are Disputed Claims and are not liquidated. Holders of Securities Litigation Claims will not receive a distribution pursuant to the Plan.

**8. Class 8 – Interests**

Interests include any capital stock, limited liability company membership interests, partnership interests or other ownership interests in a Debtor. The Interests include the ordinary and preferred partnership interests of Globalstar and any distribution (or dividend) thereon. Holders of Interests will not receive a distribution pursuant to the Plan.

**C. SUMMARY TABLE**

The following table briefly summarizes the classification and treatment of Claims and Interests under the Plan.

<u>Class</u>	<u>Description</u>	<u>Distribution</u>	<u>Estimated Aggregate Claim Amounts</u>	<u>Estimated Recovery (%)</u>
-	Administrative Expenses	Payment in cash in full (or, as applicable for a Commitment Fee Claim, in kind).	—	100%
-	Priority Tax	Payment in cash in full.	\$93,000	100%
1	Priority Claims	Payment in cash in full.	Less than \$10,000	100%
2	Secured Claims	Payment in cash in full, or reinstatement.	Not Material	100%

3	Convenience	For Claims less than or equal to \$5,000 (or reduced to such amount), payment in cash in an amount equal to 60% of the Allowed Convenience Claim.	\$150,000	60%
4	General Unsecured Claims	Pro rata share (calculated together with Loral Claims before any reduction) of 18.2612% of Membership Interests and GSHI Proceeds (if in excess of \$100,000); <u>plus</u> Series A Rights and Series B Rights (each calculated after reduction of Loral Claims by \$420 million) exercisable in accordance with Article VIII of the Plan, if such Claim is allowed as of the Rights Expiration Time; <u>plus</u> , if voting to accept the Plan or otherwise bound to the Third Party Release of the Loral Entities, a pro rata share of the Standard Release-Based Consideration; <u>plus</u> , if entitled to Standard Release-Based Consideration and a Securities Litigation Settlement Event does not occur, a pro rata share of the Supplemental Release-Based Consideration.	\$2.6 billion	approximately 0.3%
5	Loral Claims	A share (as determined by the Loral Entities) of the pro rata share (to be distributed respecting the Allowed Loral Claim, calculated together with General Unsecured Claims before any reduction) of 18.2612% of Membership Interests and the GSHI Proceeds (if in excess of \$100,000); <u>plus</u> a share of the Series A Rights and Series B Rights (to be distributed in respect of the Allowed Loral Claim) (calculated after reduction of Loral Claims by \$420 million) exercisable in accordance with Article VIII of the Plan. The ultimate distribution to holders of Allowed Loral Claims will take into account the reduction of such Claims by \$420 million if any creditor is bound by the releases in favor of Loral, its affiliates, and certain related parties approved by the Bankruptcy Court. In addition, if a Securities Litigation Settlement Event occurs on or before the first anniversary of the Effective Date, the holders of Loral Claims will receive a share, as determined by the Loral Entities, of the Supplemental Release-Based Consideration.	\$879.6 million	approximately 0.1% -0.2%
6	Insured Claims	Proceeds under pertinent insurance policies	Unliquidated	100% (to extent of proceeds)
7	Securities Litigation Claims	None	Unliquidated	0%
8	Interests	None	—	0%

The amounts shown in the table above as "Estimated Aggregate Claim Amounts" reflect the Debtors' estimates of the aggregate amounts of such Claims that the Debtors believe will be asserted upon resolution of all such Claims that the Debtors believe will be Disputed Claims. The amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly more or less than the estimated amount of such Claim. As a consequence, the actual aggregate amount of Allowed Claims in Class 4 may differ significantly from the estimates set forth below. See Section XII.A.3 of this Disclosure Statement. Distributions of Membership Interests to holders of Allowed Claims in Classes 4 and 5 will be made on an incremental basis until all Disputed Claims in Class 4 have been resolved. See Section X.J of this Disclosure Statement.

Each amount designated in the table above as the "Estimated Percentage Recovery" for each Class of Claims is the quotient of the cash or the assumed value of the Membership Interests to be distributed to all holders of Allowed Claims in that Class, divided by the estimated aggregate amount of Allowed Claims in that Class. For purposes of calculating the Estimated Percentage Recovery of holders of Allowed Claims in Classes 4 and 5, it is assumed that (i) all holders of Allowed General Unsecured Claims against the Debtors will be bound by the Third Party Release, (ii) all Claims in Classes 4 and 5 will be Allowed Claims in the aggregate amount of \$3.5 billion as of the Rights Expiration Time and therefore eligible to receive Series A Rights and Series B Rights, and (iii) no distributions of GSHI Proceeds will be made. Furthermore, for purposes of this calculation, it is assumed that, as of the Effective Date, the Membership Interests will have a value of \$53.00 per 0.0001% Membership Interest, the Series A Rights and Series B Rights have no value, and the GSHI Proceeds have a value of approximately \$100,000.

The assumed value of \$53.00 per 0.0001% Membership Interest is based on the value to be paid by Thermo under the Asset Contribution Agreement. Thermo will acquire directly or indirectly an 81.25% Membership Interest for aggregate consideration of \$43.0 million, or \$53.00 per 0.0001% Membership Interest. Based on the advice of Jefferies & Company, Inc. ("Jefferies"), the Debtors have determined that the \$53.00 per 0.0001% Membership Interest valuation provides a reasonable basis for approximating the value of the 18.75% Membership Interest to be distributed to holders of Allowed Claims in Classes 4 and 5 under the Plan. In making such determination, the Debtors, in consultation with Jefferies, considered the terms and other characteristics, including, among others, the voting rights and transferability, of the Membership Interests and concluded that utilizing the value to be paid for the 81.25% Membership Interest by Thermo as an approximation of the value of the 18.75% Membership Interest to be received by holders of Claims in Classes 4 and 5 under the Plan is reasonable. Although the Debtors' management believes that this valuation assumption is reasonable, there is no assurance that the Membership Interests will have the value assumed in this Disclosure Statement. See Article XII of this Disclosure Statement for a discussion of certain factors that could materially affect the value of the Membership Interests.

**Actual recoveries of holders of Allowed Claims in Classes 4 and 5 will vary depending on (a) the actual amount of Allowed Claims in Class 4, (b) which holders of Allowed Claims in Class 4 are bound by the Third Party Release, (c) the actual value of the Membership Interests, (d) whether GSHI Proceeds are ultimately distributed pursuant to the Plan and the amount thereof, and (e) the actual value of the Series A Rights and Series B Rights, if any. Accordingly, no representation can be or is being made with respect to whether the percentage recoveries shown in the table above actually will be realized by a holder of Allowed Claims in Class 4 or 5.**

For purposes of computations of Claim amounts and administrative and other expenses and for similar computational purposes, the Effective Date is assumed to occur on July 1, 2004. There is no assurance, however, as to if or when the Effective Date will actually occur. Procedures for distributions pursuant to the Plan, including matters that are expected to affect the timing of the receipt of distributions by holders of Claims in certain Classes and that could affect the amount of distributions ultimately received by such holders, are described in Article X of this Disclosure Statement.

#### **IV. GENERAL INFORMATION REGARDING CHAPTER 11 AND GLOBALSTAR**

##### **A. OVERVIEW OF CHAPTER 11**

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. Under chapter 11 of the Bankruptcy Code, a debtor is authorized to reorganize or liquidate its business for the benefit of itself, its creditors and its equity interest holders. In addition to permitting the rehabilitation or liquidation of a debtor,

another goal of chapter 11 is to promote equality of treatment for similarly situated creditors and similarly situated equity interest holders with respect to the distribution of a debtor's assets.

The commencement of a chapter 11 case creates an estate that comprises all of the legal and equitable interests of the debtor as of the commencement date. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor-in-possession."

The consummation of a plan is the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against and equity interests in a debtor. Confirmation of a plan by the bankruptcy court binds the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity interest holder of a debtor. Subject to certain limited exceptions, the order approving confirmation of a chapter 11 plan discharges a debtor from any debt that arose prior to the date of confirmation of the plan and substitutes therefor the obligations specified under the confirmed plan. In the Debtors' chapter 11 cases, the Plan contemplates a liquidation of each of the Debtors' assets.

Holders of allowed claims against and interests in a debtor are permitted to vote to accept or reject the plan. Prior to soliciting acceptances of the proposed plan, however, section 1125 of the Bankruptcy Code requires a debtor to prepare a disclosure statement containing adequate information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan.

## **B. OVERVIEW OF THE GLOBALSTAR BUSINESS**

Globalstar was formed in November 1993 as a Delaware limited partnership by subsidiaries of Loral Corporation, a predecessor of Loral Space & Communications Ltd. ("Loral"), and QUALCOMM. Loral is one of the world's leading satellite communications companies with activities in satellite-based communications services and satellite manufacturing. QUALCOMM is the leading developer and supplier of code division multiple access ("CDMA") digital wireless telecommunications technology.

The Globalstar business has built a satellite constellation that forms the backbone of a global telecommunications system (the "Globalstar System"). The Globalstar System, which uses QUALCOMM's patented CDMA digital wireless telecommunications technology, consists of (a) a space segment comprised of the satellite constellation, (b) a ground segment comprised of so-called "gateways," and (c) telephones. The Globalstar System currently provides telephony and narrow band data services through 24 gateways, which provide coverage to 133 countries, including almost all of North and South America (excluding northwestern Alaska and portions of Canada above 70 degrees North latitude), Europe, Australia, Russia, most of the Middle East, Central Asia, China and South Korea. Globalstar commenced operations in March 1994 and began commercial service in late 1999. As of December 31, 2003, approximately 106,000 commercial subscribers were using the Globalstar System.

The Globalstar business is subject to varying degrees of federal, state, local and international regulation. In the United States, the Globalstar business is most heavily regulated by the Federal Communications Commission ("FCC"). Specifically, various FCC licenses are required to operate the Globalstar System. See Section XII.D of this Disclosure Statement.

For the nine-month period ended September 30, 2003 and the twelve-month period ended December 31, 2002, Globalstar had a net loss applicable to ordinary partnership interests of approximately \$43.8 million and \$152.8 million, respectively, on a consolidated basis. As of September 30, 2003 and December 31, 2002, Globalstar had total assets of approximately \$265.8 million and \$294.4 million, respectively, on a consolidated basis and liabilities of approximately \$3.46 billion and \$3.45 billion, respectively, on a consolidated basis. Substantially all of Globalstar's liabilities (other than those under the Thermo DIP Facility) are unsecured. As of September 30, 2003, Globalstar employed 142 full-time employees and one part-time employee.

Pursuant to the Asset Contribution Agreement, Globalstar, the GLP Subsidiary Debtors, Globalstar Satellite Services, Inc. ("GSSI") and Globalstar Corporation have transferred substantially all of their assets, including the Globalstar System, to New Globalstar in two steps. See Section VII.B of this Disclosure Statement.

For a more complete understanding regarding the business and properties of, and other matters relating to, Globalstar and its subsidiaries, see the 2002 Form 10-K, including Part I, Item 1 "Business."

## C. SELECTED HISTORICAL FINANCIAL INFORMATION OF GLOBALSTAR

The following table sets forth selected consolidated financial information for Globalstar as of and for the nine months ended September 30, 2003 and 2002 and as of and for the fiscal years ended December 31, 2002, 2001 and 2000. The information prepared for the nine months ended September 30, 2003 has not been audited or reviewed and has been prepared as draft consolidated financial statements only. The other selected consolidated financial information set forth below should be read in conjunction with the Audited Annual Consolidated Financial Statements and notes thereto and the other historical financial information for Globalstar.

(in thousands, except per partnership interest amounts)

	<u>NINE MONTHS ENDED SEPTEMBER 30,</u>		<u>YEARS ENDED DECEMBER 31,</u>		
	<u>2003</u>	<u>2002</u>	<u>2002(1)</u>	<u>2001</u>	<u>2000(2)</u>
<b>STATEMENT OF OPERATIONS DATA:</b>					
Net revenue	\$ 42,614	\$ 15,515	\$ 24,639	\$ 6,404	\$ 3,650
Operating expenses	85,006	82,630	128,110	205,185	3,476,402
Interest income	1	101	101	4,513	16,490
Interest expense	1,166	46,563	46,523	381,170	329,163
Net loss applicable to ordinary partnership interests	43,809	116,490	152,846	602,073	3,816,401
Net loss per weighted average ordinary partnership interest out standing — basic and diluted	0.67	1.77	2.32	9.26	61.23
<b>OTHER DATA:</b>					
Deficiency of earnings to cover fixed charges (3)	43,809	116,490	152,846	602,073	3,824,533
<b>CASH FLOW DATA:</b>					
Used in operating activities	(18,560)	(31,383)	(38,013)	(120,448)	(455,741)
Provided by (used in) investing activities	1,294	(1,855)	(2,328)	3,909	(95,156)
Provided by partners' capital transactions	—	—	—	—	331,275
Provided by (used in) financing activities	20,473	—	—	(2,237)	266,348
	<u>SEPTEMBER 30,</u>		<u>DECEMBER 31,</u>		
	<u>2003</u>	<u>2002</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
<b>BALANCE SHEET DATA:</b>					
Cash and cash equivalents (4)	\$ 18,819	\$ 22,553	\$ 15,284	\$ 55,625	\$ 196,849
Globalstar System, net	176,524	208,004	198,756	229,774	264,856
Globalstar System under construction	—	—	—	—	1,634
Total assets	265,801	314,489	294,374	456,391	702,276
Vendor financing liability, including current portion	—	—	—	869,385	788,423
Long-term debt (5)	4,371	—	—	277,330	262,366
Liabilities subject to compromise (6)	3,422,577	3,411,548	3,425,921	—	—
Partners' capital (deficit)	(3,194,379)	(3,114,076)	(3,150,598)	(2,997,753)	(2,395,214)

- (1) The results of operations for 2002 include a \$18.4 million charge for a launch termination penalty and write off of launch related deposits.
- (2) The results of operations for 2000 include a \$2.9 billion charge for the impairment of the Globalstar System.
- (3) The ratio of earnings to fixed charges is not meaningful, as Globalstar has incurred operating losses.
- (4) Includes restricted cash of \$22.4 million for 2000, received from service providers for the purchase of gateways.
- (5) In 2003, long-term debt consisted of a note payable from Globalstar Canada Co. Globalstar Canada Co. was acquired in 2003. Long-term debt in 2001 and 2002 has been reclassified as liabilities subject to compromise.
- (6) All pre-petition liabilities of Globalstar and the GLP Subsidiary Debtors constitute Unsecured Claims and have been classified as liabilities subject to compromise.

**D. ORGANIZATIONAL STRUCTURE OF GLOBALSTAR PRIOR TO CONTRIBUTION DATE**

**1. Globalstar**

Globalstar was formed as a Delaware limited partnership in November 1993, but remained inactive until it commenced operations on March 23, 1994.

Loral/QUALCOMM Satellite Services, L.P. ("LQSS") is the managing general partner of Globalstar. The general partner of LQSS is Loral/QUALCOMM Partnership, L.P. ("LQP") and the limited partners of LQSS are certain subsidiaries of Loral and three of Globalstar's founding service providers. The partners in LQP are Loral General Partner, Inc., a subsidiary of Loral ("LGP"), which is the managing general partner, and QUALCOMM Limited Partner, Inc. LQSS, LQP, LGP and another subsidiary of Loral that is a general partner of LQP (*i.e.*, the GP Debtors) have also filed voluntary petitions under chapter 11 of the Bankruptcy Code in the Bankruptcy Court. In July 2003, Loral and certain of its subsidiaries filed voluntary petitions under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York.

GTL, the other general partner of Globalstar, was created in 1994 to permit public equity ownership in Globalstar. GTL does not have any operations, any personnel or any facilities and does not manage the day-to-day operations of Globalstar. GTL's sole asset is its investment in Globalstar. GTL is not a chapter 11 debtor. GTL owns approximately 42.4% of the outstanding ordinary partnership interests of Globalstar, 100% of the outstanding Series A convertible redeemable preferred partnership interests of Globalstar and 100% of the outstanding Series B convertible redeemable preferred partnership interests of Globalstar.

The governing body of Globalstar is the General Partners' Committee. The General Partners' Committee may have up to seven members. Currently, the General Partners' Committee has four members. In connection with the Loral Settlement, the three members of the General Partners' Committee who were Loral employees resigned and were replaced by senior officers of Globalstar. See Section VI.G of this Disclosure Statement.

**2. Subsidiaries**

Prior to the Contribution Date, Globalstar wholly owned, directly or indirectly, a number of domestic and foreign subsidiaries in addition to the GLP Subsidiary Debtors and also owned a 75% interest in Government Services, LLC, a Delaware limited liability company, of which LGP owns the other 25% interest. Pursuant to the Asset Contribution Agreement, the Debtors transferred to New Globalstar substantially all of their assets, including the capital stock or other equity interests in all of the Non-Debtor Subsidiaries other than Globalstar Corporation and GSSI. See Section VII.B of this Disclosure Statement.

**V. EVENTS PRECEDING THE COMMENCEMENT OF THE CHAPTER 11 CASES**

**A. INCURRENCE OF SIGNIFICANT INDEBTEDNESS AND OTHER OBLIGATIONS; RELATED PARTY TRANSACTIONS**

The acquisition of Globalstar's satellite constellation and the development of Globalstar's business required significant cash resources. To obtain these resources, the Debtors incurred significant indebtedness. The Debtors' obligations include four issues of senior notes in an aggregate amount, including principal and interest accrued through the Petition Date, in excess of \$1.6 billion, a credit facility, vendor financing and other trade credit. The aggregate of such debt is approximately \$3.5 billion.

Senior notes were issued by Globalstar and Globalstar Capital Corporation ("GCC") under the following indentures: (a) the Indenture, dated as of February 15, 1997, relating to 11.375% Senior Notes due 2004; (b) the Indenture, dated as of June 1, 1997, relating to 11.25% Senior Notes due 2004; (c) the Indenture, dated as of October 15, 1997, relating to 10.75% Senior Notes due 2004; and (d) the Indenture, dated as of May, 20, 1998, relating to 11.5% Senior Notes due 2005.

In addition, Globalstar engaged in a number of commercial and financial transactions with related parties, including the Loral Entities and QUALCOMM. For a discussion of such transactions, see: (a) Part II, Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Related Party Disclosures" and Part III, Item 13 "Certain Relationship and Related Transactions Section" of the 2002 Form 10-K; and (b) Notes 9 and 10 to the Audited Annual Consolidated Financial Statements.

## **B. IMPLEMENTATION OF NEW BUSINESS PLAN**

Commercial acceptance of the Globalstar service since it commenced in 2000 has been substantially below initial expectations. Accordingly, Globalstar developed a new business plan that changed the focus of its business from a voice-centric cellular extension model to one targeting specific vertical market segments with its voice and data product offerings. Globalstar began implementing the new business plan prior to the Petition Date, and continued its implementation thereafter. The new plan consisted of three major components:

- ?? The consolidation of the operations of certain independent Globalstar service providers into those of Globalstar;
- ?? The pursuit of targeted customer opportunities; and
- ?? Revised pricing plans.

Globalstar's business plan and the major components thereof are currently being reviewed by Thermo (which will be the controlling member of New Globalstar after the Interest Acquisition Date) and are therefore subject to changes in the future.

### **1. Consolidation Strategy**

Historically, Globalstar service providers generally have not earned revenues sufficient to fund their operating costs. The consolidation strategy was intended to bring additional efficiencies to the operation of the Globalstar System and to allow for increased geographic coverage and pricing coordination in Globalstar's service offerings. Globalstar undertook this strategy in an effort to achieve and maintain financial viability.

As part of the consolidation strategy, the following service provider operations were consolidated into Globalstar:

- ?? Service provider operations in Canada and the North Atlantic via its gateway in Eastern Canada (completed in July 2003);
- ?? Service provider operations in Western Europe, the Mediterranean and the North Atlantic via its gateway in France (completed in July 2002); and
- ?? Service provider operations in the United States and the Caribbean (completed in August 2002).

For additional information regarding these transactions, see: (a) Part I, Item 1 "Business — The Company — New Business Plan and Related Transactions," Part II, Item 7 "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Related Party Disclosures" and Part III, Item 13 "Certain Relationships and Related Transaction Section" of the 2002 Form 10-K; and (b) Note 4 to the Audited Annual Consolidated Financial Statements.

### **2. Pursuit of Targeted Customer Opportunities**

As part of its new business plan, Globalstar focused its marketing efforts on vertical market segments that it believed would greatly benefit from using the Globalstar System. Globalstar made progress in creating new voice

and data products and applications that target these vertical segments. Key segments that Globalstar targeted include government (including the United States Department of Defense), public safety, maritime, natural resources, utilities and aeronautical. For more information regarding these and other key market segments, see Part I, Item 1 "Business — The Company — Sales and Marketing Activities" of the 2002 Form 10-K.

### **3. Revised Pricing Plan**

Following the consolidation of the North American service providers in August 2002 as described above, Globalstar implemented a new pricing structure for its North American customers. The new pricing structure provides substantial price reductions for Globalstar service and phones, with service rates as low as \$0.17 per minute for high volume users. The new rate plans were structured comparably to existing terrestrial cellular rate plans, offering bundled minutes for a fixed price per month with additional minutes available for use at additional charges.

### **C. LEGAL PROCEEDINGS**

Material pending legal proceedings (other than the Chapter 11 Cases) to which Globalstar or any other Globalstar entity is a party or of which any of their property is subject include the following:

- ?? On February 20, 2001, a purported class action lawsuit was filed against Globalstar and GCC on behalf of holders of Globalstar's 10.75% Senior Notes due 2004 in Superior Court, New Castle County, Delaware alleging breach of contract. On June 5, 2001, a similar purported class action lawsuit was filed in Delaware.
- ?? On July 13, 2001, a petition was filed by a holder of Globalstar's 11.375% Senior Notes due 2004 in Texas state court seeking payment.
- ?? On February 28, 2001, a purported securities class action was filed against GTL in the United States District Court for the Southern District of New York. On November 13, 2001, the complaint in such action was amended to add causes of action against Globalstar and GCC. This consolidated class action is pending in the United States District Court for the Southern District of New York. A class has not yet been certified.
- ?? On December 5, 2002, a complaint was filed by StarMD, LLC against Globalstar USA, LLC in the Pennsylvania Court of Common Pleas, Allegheny County, index No. GD-02-23220, alleging, among other things, breach of contract.

For additional information regarding these proceedings, see: (a) Part I, Item 3 "Legal Proceedings" and Part II, Item 7 "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Commitments and Contingencies" of the 2002 Form 10-K; and (b) Note 19 to the Audited Annual Consolidated Financial Statements.

### **D. CESSATION OF PAYMENTS**

On January 16, 2001, Globalstar announced that it was suspending principal and interest payments on all of its funded debt as well as dividend payments on its preferred stock in order to have sufficient funds available for its marketing and service activities. Since the Petition Date, no principal or interest payments have been made on unsecured pre-petition debt for borrowed money and no payments on such unsecured pre-petition debt will be made without Bankruptcy Court approval.

In order to preserve cash, in September 2001 Globalstar ceased making payments for certain services performed by SS/L and QUALCOMM. Globalstar previously contracted with QUALCOMM for the design and development of the Globalstar ground segment pursuant to the Development Contract, dated March 18, 1994 (the "Development Contract"), and contracted with QUALCOMM for the manufacture, deployment and maintenance of Globalstar gateways pursuant to the Production Gateway Purchase Agreement, dated April 30, 1997 (the

"Production Agreement"). QUALCOMM purported to terminate the Development Contract and the Production Agreement for non-payment of invoices on November 29, 2001 and on December 20, 2001, respectively.

**E. DISCUSSIONS WITH CREDITORS**

**1. Memorandum of Understanding**

Prior to the Petition Date, the Debtors held discussions with an informal committee (the "Informal Committee") of certain holders of Senior Notes (the "Noteholders"), Loral and QUALCOMM about a possible restructuring of the Debtors' financial affairs. As a result of these discussions, the Debtors reached a non-binding agreement with Loral and the Informal Committee regarding the substantive terms of the financial restructuring of the Debtors' businesses, including, without limitation, implementation of the Debtors' consolidation strategy. This agreement was evidenced in the Memorandum of Understanding, dated February 15, 2002 (the "MOU"). The discussions did not result in any agreement or understanding with QUALCOMM regarding a restructuring.

The proposed restructuring contemplated by the MOU would have included, among other things, the transfer of all of the Debtors' assets to a new corporation to be owned 97% by the Noteholders and the holders of all other pre-petition unsecured claims (including Loral) and 3% by Loral. The MOU also contemplated the transfer of necessary licenses to the new corporation, a release in favor of Loral and its affiliates and a rights offering for up to 15% of the equity of the new corporation.

**2. Plan Support Agreement**

In connection with the execution of the MOU, Globalstar, Loral and the Informal Committee entered into the Plan Support Agreement, dated February 15, 2002, which was subsequently amended three times (as amended, the "Plan Support Agreement"). Pursuant to the Plan Support Agreement, each party thereto agreed to:

- ?? Negotiate a plan of reorganization that incorporated the terms and conditions of the MOU in good faith; and
- ?? Vote for such plan of reorganization and use its commercially reasonable efforts to cause the confirmation and consummation of such plan of reorganization.

The Plan Support Agreement contained certain timing conditions that, if not satisfied, gave the parties the right to terminate the Plan Support Agreement. On May 23, 2002, Globalstar filed a plan of reorganization and disclosure statement consistent with the MOU and Plan Support Agreement. On or about August 12, 2002, the Creditors Committee (as successor to the Informal Committee) delivered to Loral and Globalstar notice of termination of the Plan Support Agreement because a disclosure statement describing the plan of reorganization had not been approved within the timetable required by the Plan Support Agreement.

**VI. THE CHAPTER 11 CASES**

**A. COMMENCEMENT OF THE CHAPTER 11 CASES**

The Debtors commenced their chapter 11 cases (the "Chapter 11 Cases") on February 15, 2002. Since commencement of the Chapter 11 Cases, the Debtors have operated their businesses and managed their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

**B. ADMINISTRATION OF THE CHAPTER 11 CASES**

On February 15, 2003, the Debtors obtained a series of orders from the Bankruptcy Court designed to minimize any disruption of business operations and to facilitate their reorganization. The Bankruptcy Court entered orders authorizing the Debtors, among other things, (a) to maintain their pre-petition cash management system (including intercompany financing), (b) to pay pre-petition wages and benefits to employees, and (c) to pay certain pre-petition taxes.

At various hearings held during the Chapter 11 Cases, the Bankruptcy Court entered orders authorizing the Debtors, among other things:

- ?? To transfer limited funds to Globalstar Corporation ("GC") in connection with the consolidation of service provider operations in Western Europe, the Mediterranean and the North Atlantic and in the United States and the Caribbean (see Section V.B.1 of this Disclosure Statement);
- ?? To transfer limited funds to GTL in connection with funding certain expenses of GTL;
- ?? To reject certain real property subleases;
- ?? To implement an employee retention program (the "Employee Retention Program") (see Section VI.D of this Disclosure Statement);
- ?? To retain Jefferies as financial advisors to the Debtors;
- ?? To enter into the 2 GHz Contract (see Section VI.E of this Disclosure Statement);
- ?? To enter into certain service provider(s) settlement agreements (see Section VI.F of this Disclosure Statement);
- ?? To enter into the Loral Settlement (see Section VI.G of this Disclosure Statement);
- ?? To approve the Creditor DIP Facility (see Section VII.A.3 of this Disclosure Statement);
- ?? To approve auction procedures to be utilized by Globalstar to identify an equity investor (see Section VII.A.4 of this Disclosure Statement);
- ?? To authorize Globalstar to engage in the transactions contemplated by the ICO Investment Agreement and the ICO DIP Facility (see Section VII.A.4 of this Disclosure Statement);
- ?? To enter into a tax settlement with the IRS (see Section VI.H of this Disclosure Statement);
- ?? To authorize Globalstar to engage in the transactions with Thermo contemplated by the Asset Contribution Agreement (see Section VII.B of this Disclosure Statement); and
- ?? To enter into the QUALCOMM Settlement Agreement (see Section VI.I of this Disclosure Statement).

**C. APPOINTMENT OF CREDITORS COMMITTEE**

On March 6, 2002, the United States Trustee, pursuant to section 1102 of the Bankruptcy Code, appointed a statutory committee of unsecured creditors in the Chapter 11 Cases. The Creditors Committee was initially comprised of the following members:

- ?? Columbia Ventures Corp.;
- ?? Loeb Partners Corp.;
- ?? Stonehill Capital Management, LLC (this entity subsequently resigned from the Creditors Committee);

- ?? Blue River LLC (this entity subsequently resigned from the Creditors Committee);
- ?? The Bank of New York;
- ?? Lockheed Martin Corporation (this entity subsequently resigned from the Creditors Committee); and
- ?? Ericsson Mobile Communications (U.K.) Ltd. (this entity subsequently resigned from the Creditors Committee).

**D. ADOPTION OF EMPLOYEE RETENTION PROGRAM**

On May 21, 2002, the Bankruptcy Court entered a stipulation and agreed order authorizing Globalstar to make distributions totaling \$2,964,245 under the Employee Retention Program. On July 15, 2002, the Debtors distributed to participants under the Employee Retention Program cash in an aggregate amount of \$741,061. The Debtors are authorized to distribute to participants under the Employee Retention Program cash in an aggregate amount not to exceed \$2,223,184 on the Effective Date.

The Debtors' senior management will have absolute discretion as to the allocation of all payments under the Employee Retention Program, except that (a) such allocations must be consistent with the schedule provided to the Creditors Committee on May 6, 2002 and (b) if an employee for any reason becomes ineligible to receive payments under the Employee Retention Program, including without limitation due to termination of employment prior to the Effective Date, the payments allocated to such employee under the Employee Retention Program may not be reallocated or distributed under the Employee Retention Program.

**E. APPROVAL OF THE 2 GHZ CONTRACT**

On July 16, 2002, Globalstar entered into a non-contingent contract with SS/L pursuant to which SS/L agreed to design, manufacture, test and launch a new satellite constellation for Globalstar (the "2 GHz Contract"). The FCC granted Globalstar a license for this 2 GHz system (the "FCC 2 GHz License") on July 17, 2001 and required that by July 17, 2002 Globalstar enter into a contract providing for implementation of the system. The Bankruptcy Court authorized Globalstar to enter into the 2 GHz Contract at a hearing held on July 16, 2002.

On January 30, 2003, the FCC's International Bureau denied Globalstar's request for waivers on future milestones and declared the FCC 2 GHz License to be null and void. Globalstar believes that this action by the FCC's staff is inconsistent with the facts and the law and has requested the full FCC to review and reverse it. Globalstar has also requested the full FCC to stay the International Bureau's decision pending review. However, there can be no assurance that the FCC will ultimately overturn the International Bureau's decision and reinstate the FCC 2 GHz License. In addition, on February 26, 2003, AT&T Wireless Services, Inc., Cellco Partnership d/b/a Verizon Wireless and Cingular Wireless LLC (collectively, "Appellants") filed an appeal with the United States Court of Appeals for the District of Columbia of a January 30, 2003 FCC order affirming the original grant of the FCC 2 GHz License and denying an application for review filed with the FCC by the Appellants on August 16, 2001 seeking repeal of the FCC's original grant of the FCC 2 GHz License. The Appellants withdrew their appeal in March 2004.

Globalstar issued a stop work order through January 2004 under the 2 GHz Contract and has requested a further no-cost extension of the stop work order; however, the 2 GHz Contract has not been terminated by the parties. In connection with the Loral Settlement, Globalstar received a refund of the unused portion of advance prepayments made by it under the 2 GHz Contract, as reduced by certain obligations owing to Loral, and Loral waived a \$250,000 termination fee under the 2 GHz Contract. The termination fee will be reinstated in the event that Globalstar determines to rescind its stop work order. See Section VI.G of this Disclosure Statement.

**F. APPROVAL OF SERVICE PROVIDER SETTLEMENT AGREEMENTS**

On December 30, 2002, the Bankruptcy Court (i) approved a settlement agreement among Globalstar Services Company, Inc. ("GSCI"), Globalstar Vodafone Network Pty Ltd. Australia and Globalstar Australia Pty Ltd and (ii) authorized Globalstar to consent to the transfer by Vodafone Satellite Services Limited ("VSSL") to Localstar Pty Ltd ("Localstar") of a service provider agreement and Globalstar's entry into a service provider agreement with Localstar. VSSL was the original authorized service provider for Australia and the operator of three gateways in that country. In conjunction with this sale, VSSL agreed to settle certain pre- and post-petition debts with Globalstar. As a consequence of the Bankruptcy Court's approval, Localstar is the new service provider and independent gateway operator in Australia. Globalstar has received payments totaling \$1.7 million from VSSL in settlement of various accounts.

On February 19, 2003, the Bankruptcy Court approved Globalstar's entry into a settlement and release agreement with Elsacom and a gateway asset purchase agreement with a wholly owned subsidiary of Elsacom (collectively, the "Elsacom Settlement Agreements"). Elsacom is the primary Globalstar service provider in Central and Eastern Europe, the operator of the gateway located in Avezzano, Italy and, through its affiliate, Globalstar Northern Europe, the former operator of the gateway located in Karkkila, Finland. Although Elsacom had defaulted on its gateway contract obligations to Globalstar, Elsacom desired to continue providing Globalstar service to its customers from Avezzano. Accordingly, Globalstar and Elsacom negotiated a mutually acceptable plan for paying certain of the debt, transferring the equipment in Finland to Globalstar and maintaining Elsacom's service provider rights. Under the terms of the Elsacom Settlement Agreements, Globalstar received cash payments totaling \$2.4 million and the release of all past payment obligations, including certain pre-petition liabilities, due to Elsacom in exchange for liquidation of the gateway contract payments due to Globalstar from Elsacom. Additionally, Globalstar retained title to the gateway equipment installed in Finland. Globalstar dismantled the Finland gateway and placed the removable parts, which contain most of the gateway's electronics, in storage for future deployment.

**G. APPROVAL OF THE LORAL SETTLEMENT AGREEMENT**

On March 14, 2003, Loral, the Creditors Committee and Globalstar signed a term sheet outlining the terms and conditions of a comprehensive settlement of certain contested matters and a release of claims against Loral (the "Loral Settlement"). Also on March 14, 2003, Globalstar and the Creditors Committee filed a joint motion with the Bankruptcy Court under Bankruptcy Rule 9019 for an order approving the Loral Settlement. The Bankruptcy Court approved the Loral Settlement on April 14, 2003.

The Loral Settlement is evidenced by a Settlement Agreement and Release, dated April 8, 2003 (the "Loral Settlement Agreement"), among the Creditors Committee, Globalstar, Loral and certain of their respective affiliates. The closing contemplated by the Loral Settlement Agreement occurred as of July 10, 2003. Pursuant to the Loral Settlement Agreement, as of the closing, among other things:

- ?? Globalstar received title to eight spare satellites;
- ?? Certain agreements under which Loral held exclusive rights to provide Globalstar services to certain defense, national security and other governmental agencies and in the aviation market were terminated and a new joint venture owned 75% by Globalstar and 25% by an affiliate of Loral was formed to pursue business opportunities with those governmental agencies;
- ?? Globalstar received Loral's interests in the Canadian Globalstar service provider operations;
- ?? Certain financial obligations of Loral-affiliated service providers to Globalstar were settled through reductions in debt obligations owing by Globalstar Canada Co. to Loral and other financial obligations between Globalstar and Loral were restructured;

- ?? Globalstar received the unused portion of advance prepayments made by it under the 2 GHz Contract, as reduced by certain financial obligations of Globalstar to Loral;
- ?? Russell R. Mack, Bernard L. Schwartz and Eric J. Zahler, all employees of Loral, resigned from the General Partners' Committee and Anthony J. Navarra, President of Globalstar, Megan Fitzgerald, Senior Vice President - Operations of Globalstar, and Daniel P. McEntee, Vice President and Chief Financial Officer of Globalstar, were appointed as members of the General Partners' Committee; and
- ?? Mutual releases of claims between Globalstar and its subsidiaries, on the one hand, and Loral and its subsidiaries and affiliates, on the other hand, became effective and Globalstar and its subsidiaries released claims against members of the General Partners' Committee.

The Loral Settlement Agreement further provides, among other things, that:

- ?? Subject to FCC approval, L/Q Licensee will transfer the license (the "FCC Big Leo License") held by it to Globalstar or LQP will transfer its interests in L/Q Licensee to Globalstar (L/Q Licensee subsequently agreed to transfer this license to New Globalstar and FCC approval of such transfer has been received);
- ?? Globalstar will transfer its 49% equity interest in the Russian service provider, which it holds for the benefit of Loral, to Loral;
- ?? Loral's General Unsecured Claims will be allowed in the amount of \$879.6 million, subject to reduction in connection with the Third Party Releases as contemplated by the Plan; and
- ?? Globalstar will use its reasonable best efforts to obtain the Third Party Releases in the Plan.

The Loral Settlement Agreement is reflected in the Plan.

Subsequent to the closing of the Loral Settlement Agreement, Loral and certain of its subsidiaries filed voluntary petitions under chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York.

Advanced Metering and Technologies Inc. ("AMT"), filed with the Bankruptcy Court on April 24, 2003 a motion asking the Bankruptcy Court to reconsider its approval of the Loral Settlement. The Bankruptcy Court denied AMT's motion for reconsideration on May 30, 2003, and thereafter on June 9, 2003, AMT filed a notice of appeal of the Bankruptcy Court's order approving the Loral Settlement. Globalstar believes that AMT's appeal is without merit and will ultimately be denied, though no assurance can be given in this regard or as to what relief, if any, might be granted in the event AMT were to be successful on appeal.

#### **H. APPROVAL OF TAX SETTLEMENT AGREEMENT**

The transactions contemplated by the Plan will involve the exchange of Membership Interests for debt of Globalstar. The exchange will give rise to cancellation of debt income that would be allocable to the partners of Globalstar. Under section 1446 of the Internal Revenue Code of 1986, as amended (the "IRC"), Globalstar is obligated to pay a 35% withholding tax on income effectively connected to a U.S. trade or business that is allocated to foreign partners. Based on a review of historical data, the Debtors determined that approximately \$935.8 million of its cancellation of debt income may be allocated to its foreign partners, in which case Globalstar may be required to pay a withholding tax of \$327.5 million to the IRS. In order to reduce and quantify this potential liability, Globalstar negotiated an agreement with the IRS that substantially reduced the amount of tax Globalstar would have to pay upon consummation of a chapter 11 plan to \$268,689. On or about July 25, 2003, Globalstar filed a motion

with the Bankruptcy Court seeking approval of this agreement. The Bankruptcy Court approved this motion by order dated August 15, 2003. Globalstar has also been in negotiations with state tax authorities on similar requirements by the states to withhold on this income. Globalstar believes that only the State of California will ultimately have a similar income withholding requirement. The California Franchise Tax Board has provided waivers to Globalstar providing relief from those withholding obligations for all partners of Globalstar except one. The withholding obligation of this one partner has been determined to be \$10,302.

## **I. APPROVAL OF THE QUALCOMM SETTLEMENT AGREEMENT**

Recently, QUALCOMM, Thermo, New Globalstar, the Debtors and the Non-Debtor Subsidiaries have reached agreement on the material terms of various new commercial agreements (the "New Commercial Agreements") relating to the provision of goods and services by QUALCOMM to New Globalstar. This agreement contemplates that the entry into the New Commercial Agreements by New Globalstar and QUALCOMM will coincide with the entry into a settlement agreement (the "QUALCOMM Settlement Agreement") whereby (a) mutual releases would be exchanged among the parties and (b) all contractual arrangements (with certain limited exceptions) in existence prior to the New Commercial Agreements would be terminated and/or extinguished. Globalstar, QUALCOMM, Thermo and New Globalstar have finalized the New Commercial Agreements and the QUALCOMM Settlement Agreement.

Pursuant to the QUALCOMM Settlement Agreement, (i) on the effective date of the QUALCOMM Settlement Agreement, each of QUALCOMM and New Globalstar will execute and deliver the new Commercial Agreements, (ii) the claims of QUALCOMM and certain of its affiliates (the "QUALCOMM Entities") against the Debtors will be allowed in the aggregate amount of \$661,296,661.30 and treated as Allowed General Unsecured Claims in Class 4, (iii) there will be a general release of all claims and causes of action, including any causes of action that the Debtors may have under chapter 5 of the Bankruptcy Code, whether known or unknown, under any legal theory, that arise through and including the effective date of the QUALCOMM Settlement Agreement between New Globalstar, and certain related parties, on the one hand and QUALCOMM, its subsidiaries, and certain related parties, on the other hand, (iv) the Debtors will use their reasonable best efforts to obtain confirmation of a chapter 11 plan that provides for, among other things, certain treatment of the QUALCOMM Entities' claims and is not otherwise inconsistent with the QUALCOMM Settlement Agreement, (v) all contracts between QUALCOMM and its affiliates, on one hand, and the Debtors, and specified subsidiaries on the other hand, will be terminated with the exceptions of those contracts indicated on a schedule to the QUALCOMM Settlement Agreement and the New Commercial Agreements and (vi) the QUALCOMM Entities will receive a third party release to the maximum extent permitted by law.

There have been discussions among QUALCOMM, Thermo, the Debtors and the Creditors Committee concerning the possibility of QUALCOMM accepting equity in New Globalstar in lieu of cash payments for certain goods and services to be provided by QUALCOMM under the New Commercial Agreements (the "Potential Equipment-for-Equity Transaction"). The Potential Equipment-for-Equity Transaction is not contemplated or required by, or addressed in, the New Commercial Agreements or the QUALCOMM Settlement Agreement. The Creditors Committee has nonetheless negotiated for certain dilution protections in the event that such a transaction occurs (the "Anti-Dilution Protections"). Pursuant to the Anti-Dilution Protections, in any Potential Equipment-for-Equity Transaction, Thermo, the Debtors and the Creditors Committee have agreed that the first four percent (4%) of equity interests in New Globalstar transferred to QUALCOMM will dilute the equity interests of general unsecured creditors and Thermo in New Globalstar on a pro rata basis. Any equity interests in New Globalstar in excess of four percent (4%) transferred to QUALCOMM in connection with any Potential Equipment-for-Equity Transaction will dilute only the interest of Thermo Satellite L.P. in New Globalstar; provided further, that if fewer than 28,500 phones are delivered to New Globalstar in connection with such a transaction, then the applicable percentage would be reduced to the percentage computed by multiplying 4% by the ratio that the number of phones delivered to New Globalstar bears to 28,500.

If the Potential Equipment-for-Equity Transaction were effected prior to the Rights Expiration Time, the percentages of Membership interests available for acquisition upon exercise of Series A Rights and Series B Rights would be reduced proportionally with the dilution of the outstanding Membership Interests.

On February 27, 2004, the Debtors filed a motion with the Bankruptcy Court seeking approval of the QUALCOMM Settlement Agreement and the Anti-Dilution Protections. The Bankruptcy Court approved the QUALCOMM Settlement Agreement and the Anti-Dilution Protections on March 31, 2004.

**J. CLAIMS PROCESS AND BAR DATES**

On March 18 and 19, 2002, the Debtors filed their Schedules, identifying the assets and liabilities of their Estates. During the Chapter 11 Cases, the Debtors have filed numerous amendments to their Schedules. In addition, pursuant to an order dated May 7, 2002, the following Bar Dates for the filing of proofs of Claim have been established in the Chapter 11 Cases:

- ?? June 27, 2002 as the general Bar Date (the "General Bar Date") for all Claims other than Claims asserted by governmental units, Claims arising out of the rejection of Executory Contracts and Unexpired Leases ("Rejection Damage Claims ") and Claims in response to amendments to the Schedules;
- ?? August 14, 2002 as the Bar Date for all Claims asserted by governmental units (the "Government Bar Date");
- ?? Unless otherwise specified in the order approving the rejection of an Executory Contract or Unexpired Lease, the later of (i) the General Bar Date and (ii) 30 calendar days after the date of an order approving the rejection of an Executory Contract or Unexpired Lease as the Bar Date for Rejection Damage Claims relating to the rejected Executory Contract or Unexpired Lease; and
- ?? The later of (i) the General Bar Date or the Government Bar Date, as applicable, and (ii) 20 calendar days after the date that a notice of an amendment to the Schedules is served on a claimant as the Bar Date for such claimant to file a proof of claim or to amend any previously filed proof of claim in respect of the amended scheduled Claim.

Since the General Bar Date, the Debtors have been reviewing the approximately 420 Claims filed against them. The Debtors are nearing completion of the process of resolving proofs of Claim filed before March 1, 2004 that differ in nature, classification or amount from the nature, classification or amount scheduled by the Debtors. This process includes negotiations with the affected claimants and the filing and prosecutions of objections to the Claims. As of March 31, 2004, the Debtors have filed objections to approximately 300 Claims.

The Debtors estimate that their material pre-petition Claims will be \$3.5 billion in the aggregate. The major outstanding Claims against the Debtors are estimated to be as set forth in the following table:

<u>Creditor(s)</u>	<u>Type of Debt</u>	<u>Estimated Claim Amount</u>
Noteholders	11.375% Senior Notes	\$ 590,597,711
Noteholders	10.75% Senior Notes	\$ 369,522,460
Noteholders	11.25% Senior Notes	\$ 372,248,678
Noteholders	11.50% Senior Notes	\$ 343,556,250
Loral Entities	Various Types	\$ 879,600,000 <sup>1</sup>
QUALCOMM	Vendor Financing, Notes	\$ 661,296,661
Lockheed Martin Corporation	Notes	\$ 170,832,000
Loral Entities	Loral Vendor Financing Claims	\$ 52,413,216 <sup>2</sup>

<sup>1</sup> Pursuant to the Plan and the Loral Settlement Agreement, certain Claims of the Loral Entities have been settled and allowed in the aggregate amount of \$879.6 million. The Loral Entities' asserted Claims were substantially higher than the allowed amount.

<sup>2</sup> Pursuant to the Plan, the Loral Vendor Financing Claims are treated as General Unsecured Claims.

<u>Creditor(s)</u>	<u>Type of Debt</u>	<u>Estimated Claim Amount</u>
Ericsson OMC Limited	Contract Claim	\$ 35,000,000
Daimler-Benz Aerospace AG	Notes	\$ 11,531,000

All of the foregoing obligations are unsecured. Other than those existing in connection with the Thermo DIP Facility, the Debtors are not aware of any lien or security interest on the assets of the Debtors.

In addition, the Debtors estimate that there will be additional General Unsecured Claims, including accounts payable, other accrued liabilities, taxes, employee obligations, or other Claims, in an aggregate amount of less than \$10 million. The ultimate resolution of the General Unsecured Claims (including those in the foregoing table) could result in Allowed General Unsecured Claims in amounts less or greater than those estimated by the Debtors for purposes of this Disclosure Statement.

## **VII. THE THERMO INVESTMENT**

### **A. BACKGROUND**

#### **1. Initial Efforts to Obtain Financing**

In connection with the implementation of Globalstar's new business plan, Globalstar, with the assistance of Jefferies, engaged in an extensive search to obtain new equity financing. During this process which began in February 2002, Jefferies contacted over 150 potential strategic and financial investors, of which 12 ultimately executed non-disclosure agreements. Beginning in August 2002, Jefferies and Globalstar received conditional proposals from potential investors and pursued the proposals of several of those investors, two of which were "qualified" and engaged in substantial subsequent discussions. By early December 2002, negotiations with both of the potential investors had come to an impasse.

#### **2. Discussions with New Valley Corporation**

In early November 2002, while Globalstar was in negotiations with the two potential investors discussed above, New Valley Corporation ("New Valley") expressed an interest in providing Globalstar with new equity financing. After lengthy negotiations, on December 19, 2002 Globalstar, the Creditors Committee and New Valley executed a non-binding term sheet setting forth the summary terms of the New Valley transaction and thereafter began negotiations of definitive agreements reflecting the agreements contained in the term sheet.

On January 14, 2003, Globalstar and the Creditors Committee reached an agreement with New Valley providing for debtor-in-possession financing of up to \$20.0 million and a total investment in a reorganized Globalstar of \$55.0 million. Globalstar filed a motion with the Bankruptcy Court for approval of this new investment and financing on January 15, 2003. Prior to the scheduled January 30, 2003 hearing on the motion, the Creditors Committee informed Globalstar and New Valley that the Creditors Committee would not support approval of the New Valley transaction, and that a consortium, including certain individual members of the Creditors Committee, was prepared to provide substitute debtor-in-possession financing. As a consequence, New Valley withdrew its investment proposal.

#### **3. Creditor DIP Facility**

Following New Valley's withdrawal, the Debtors and their advisors renewed their search for financing. On February 14, 2003, Globalstar filed motions seeking approval of (i) the Creditor DIP Facility with a consortium of lenders (*i.e.*, the Creditor DIP Lenders), including ICO Investment Corp., an affiliate of ICO, and several members of the Creditors Committee and (ii) approval of auction procedures pursuant to which Globalstar would conclude its search for financing to fund its new business plan. The Bankruptcy Court provided interim approval of the Creditor DIP Facility on February 20, 2003 and final approval of the Creditor DIP Facility on March 6, 2003.

#### **4. April 2003 Auction and Proposed ICO Investment**

The Bankruptcy Court approved the auction procedures on February 20, 2003. Under the court approved auction procedures, Globalstar received expressions of interest from prospective investors in early March 2003, and, with the assistance of Jefferies and in consultation with the Creditors Committee, determined which of them were "qualified" to perform due diligence and make a definitive proposal for an equity investment in Globalstar or the purchase of Globalstar's assets. Four proposals were ultimately submitted by qualified investors. The Debtors conducted an auction on April 2, 2003 and April 3, 2003. At the conclusion of the auction, the Debtors, in consultation with the Creditors Committee, determined that Thermo submitted the highest and best proposal at the auction and this determination was confirmed by the Bankruptcy Court on April 9, 2003. In so doing, the bankruptcy judge stated that he would consider any materially better proposals submitted prior to the date for final approval of Thermo's proposed transaction. Subsequently, ICO, one of the three qualified investors that participated in the auction, submitted a revised proposal that the Debtors, in consultation with the Creditors Committee, determined was materially better than Thermo's proposal. Globalstar advised Thermo of ICO's amended proposal and provided Thermo an opportunity to respond. Prior to the scheduled April 24, 2003 hearing, Globalstar and the Creditors Committee notified the Bankruptcy Court that ICO's proposal was then the highest and best proposal. On April 24, 2003, the judge heard argument and adjourned the hearing for one day so that Globalstar and the Creditors Committee could consider a revision to the Thermo proposal, which was made during a brief recess at the hearing. Thereafter, the Debtors, in consultation with the Creditors Committee, determined that the final ICO proposal was superior to Thermo's revised proposal, and on April 25, 2003, the Bankruptcy Court authorized the Debtors to pursue ICO's proposed investment (the "ICO Investment"). On May 19, 2003, the Debtors and ICO executed (a) an investment agreement and (b) the ICO DIP Facility.

On May 20, 2003, the Bankruptcy Court entered an order authorizing the Debtors to obtain from ICO, debtor-in-possession financing of up to \$35.0 million on the terms and subject to the conditions of the ICO DIP Facility.

In October 2003, ICO informed Globalstar that it believed that one of the conditions to the closing of the ICO Investment Agreement would not be satisfied and therefore consented to Globalstar reopening discussions with other potential investors. Following the receipt of such notice from ICO, the Debtors and their advisors renewed their search for financing. On October 31, 2003, the Debtors filed a motion seeking authorization to sell substantially all of their assets and approval of the related documents to provide therefor.

#### **5. Thermo Investment**

On November 17, 2003, Globalstar, Thermo and the Creditors Committee executed a term sheet regarding a proposed transaction. On November 20, 2003, the Bankruptcy Court approved certain buyer protections for Thermo and indicated that the Debtors could proceed towards documenting a transaction with Thermo. On December 2, 2003, the Bankruptcy Court entered an order authorizing the transaction with Thermo. On December 5, 2003, the Debtors, GSSI, Globalstar Corporation and Thermo executed the Asset Contribution Agreement and in connection therewith, the Debtors and ICO exchanged mutual releases.

### **B. THE ASSET CONTRIBUTION AGREEMENT WITH THERMO**

#### **1. Introduction**

The Asset Contribution Agreement provided that, subject to the satisfaction of certain conditions and in two steps, (a) Thermo would invest or agree to invest \$43.0 million in New Globalstar in exchange for an 81.25% Membership Interest in New Globalstar and (b) the Debtors, Globalstar Corporation and Globalstar Satellite Services, Inc. (*i.e.*, the Globalstar Contributing Entities) would contribute substantially all of their assets to New Globalstar in exchange for an 18.75% Membership Interest in New Globalstar and certain other rights, which Membership Interest will ultimately be distributed to holders of certain Allowed Claims pursuant to the Plan.

## 2. Contribution Date Transactions

The first step contemplated by the Asset Contribution Agreement occurred contemporaneously with the execution of the Asset Contribution Agreement on December 5, 2003 (*i.e.*, the Contribution Date). On the Contribution Date, the following transactions occurred:

- ?? Globalstar Corporation contributed all of its assets (other than (a) cash and cash equivalents, (b) shares of capital stock and other equity interests in GSSI, Globalstar Caribbean Ltd. and Globalstar USA, LLC, and (c) Excluded Assets (see below)) to Globalstar C LLC, a Delaware limited liability company, in exchange for a 100% membership interest therein and the assumption by Globalstar C LLC of all of the liabilities of Globalstar Corporation arising on or prior to the Contribution Date.
- ?? GSSI contributed all of its assets (other than (a) its cash and cash equivalents, (b) partnership interests in Globalstar, and (c) Excluded Assets) to GSSI LLC, a Delaware limited liability company, in exchange for a 100% membership interest in GSSI LLC and the assumption by GSSI LLC of all of the liabilities of GSSI arising on or prior to the Contribution Date.
- ?? The Globalstar Contributing Entities transferred all of their assets (other than Excluded Assets) to GS Holdings in exchange for a 93.4% membership interest in GS Holdings and the assumption by GS Holdings of the Assumed Liabilities (see below).
- ?? Thermo made a cash contribution of \$700,000 to GS Holdings in exchange for a 6.6% membership interest in GS Holdings.
- ?? GS Holdings contributed all of the assets received from the Globalstar Contributing Entities to New Globalstar and \$500,000 in cash in exchange for a 91.23% Membership Interest and the assumption by New Globalstar of certain liabilities, and Thermo made a cash contribution of \$1,000,000 to New Globalstar in exchange for an 8.77% Membership Interest.
- ?? New Globalstar and two affiliates of Thermo entered into an Amended and Restated Limited Liability Company Agreement for Globalstar Leasing, and, in connection therewith, New Globalstar contributed all of its depreciable assets (the "Leased Assets") to Globalstar Leasing in exchange for a 98% membership interest in Globalstar Leasing (such two affiliates of Thermo having previously made a cash contribution of \$100,000 to Globalstar Leasing and owning the remaining 2% membership interest in Globalstar Leasing).
- ?? GS Holdings, New Globalstar, Globalstar Leasing, Thermo, the Globalstar Contributing Entities and Globalstar USA, LLC and Globalstar Caribbean Ltd. (*i.e.*, the Licensees) entered into the Management Agreement to provide for New Globalstar's management of the business and assets of the Licensees and the Globalstar Contributing Entities between the Contribution Date and the Interest Acquisition Date.
- ?? New Globalstar and Globalstar Leasing entered into the Lease Agreement to provide for the lease of the Leased Assets by Globalstar Leasing to New Globalstar (see Section VII.D of this Disclosure Statement).
- ?? Thermo purchased from the ICO DIP Lender all of the ICO DIP Lender's rights under the ICO DIP Loan for consideration of \$10.0 million in cash plus accrued interest of \$700,000 and a promissory note issued by the Thermo DIP Lender for \$10.0 million (*i.e.*, the Thermo Note).

- ?? Thermo, the Debtors, GS Holdings, New Globalstar and Globalstar Leasing entered into the Thermo DIP Facility, and Thermo made an advance under the Thermo DIP Facility to New Globalstar of \$1.5 million.

### **3. Acquisition Date Transactions**

The second step contemplated by the Asset Contribution Agreement occurred on April 14, 2004 (*i.e.*, the Interest Acquisition Date). On the Interest Acquisition Date, the following transactions occurred:

- ?? Thermo converted all amounts outstanding under the Thermo DIP Facility into equity of New Globalstar except for the principal amount of the Thermo Note (*i.e.*, \$10.0 million) and contributed or agreed to contribute to New Globalstar an additional amount of cash equal to \$43.0 million less the sum of (i) the previous capital contributions made by Thermo to New Globalstar, (ii) \$500,000 of the \$700,000 contributed by Thermo to GS Holdings that was subsequently contributed by GS Holdings to New Globalstar, (iii) approximately \$10.7 million paid to the ICO DIP Lender, and (iv) the principal amount of all advances made by Thermo under the Thermo DIP Facility on and after the Contribution Date. Following such conversion of the amounts outstanding under the Thermo DIP Facility, Thermo owned an 80.37% Membership Interest.
- ?? Thermo purchased from the Globalstar Contributing Entities a 92.4% membership interest in GS Holdings (with a 1% membership interest in GS Holdings remaining with the Globalstar Contributing Entities), in exchange for the transfer to the Debtors of an 18.75% Membership Interest and the release by Thermo of all obligations of the Globalstar Contributing Entities under the Thermo DIP Facility.
- ?? New Globalstar and Globalstar Leasing assumed the Assumed Contracts.
- ?? The New Globalstar LLC Agreement was executed and delivered.
- ?? The Globalstar Contributing Entities contributed all cash then held by them (except for the Wind-Up Funds) to GS Holdings, which immediately thereafter contributed all such cash to New Globalstar.
- ?? The Globalstar Contributing Entities contributed 100% of the outstanding capital stock or other equity interests of the Licensees to GS Holdings, which immediately thereafter contributed all such capital stock or other equity interests to New Globalstar.

Following the Interest Acquisition Date, Globalstar, L.L.C. changed its name to "Globalstar (Debtor), LLC."

### **4. Excluded Assets**

The following assets and properties were retained by the Globalstar Contributing Entities following the Interest Acquisition Date (collectively, the "Excluded Assets"):

- ?? All of the contracts and agreements of the Globalstar Contributing Entities with QUALCOMM and its affiliates, and certain other executory contracts and unexpired leases.
- ?? Causes of action arising under chapter 5 of the Bankruptcy Code.
- ?? Certain shares of capital stock or direct or indirect equity in Globalstar, Globalstar (Debtor), LLC (formerly known as Globalstar, L.L.C.) ("GLLC"), GCC, GSCI, GC or GSSI.

- ?? All Claims, rights of setoff or recoupment or causes of action arising under or in connection with certain assets or pre-Petition Date contracts Thermo requests that the Debtors reject (the "Rejected Contracts") (but not including any such Claims, rights or causes of action arising under a Rejected Contract after the Contribution Date but prior to the date on which rejection of such Rejected Contract is approved by the Bankruptcy Court).
- ?? \$7.5 million cash and cash equivalents (including all marketable securities, certificates of deposits and other investments), including retainers held by those professionals retained by the Debtors or the Creditors Committee (the "Bankruptcy Professionals") (*i.e.*, the Wind-Up Funds).
- ?? Globalstar's rights to accounts receivable owed by Globalstar Canada Co. in an amount not to exceed \$3.0 million.

## 5. Assumption of Liabilities

On the terms and subject to the conditions set forth in the Asset Contribution Agreement, on the Contribution Date, GS Holdings assumed and agreed to thereafter pay, perform and discharge in accordance with their terms, the following obligations and liabilities of the Debtors (collectively, the "Assumed Liabilities"):

- ?? All obligations under the Thermo DIP Facility (provided the Debtors remain jointly and severally liable for all obligations under the Thermo DIP Facility).
- ?? Except to the extent arising under the contracts to be assumed by New Globalstar (the "Assumed Contracts") or as described below, all trade accounts payable existing as of the Contribution Date which arose in the ordinary course of the Debtors' business post-petition and would be entitled to allowance as administrative expenses under section 503(b)(1)(A) of the Bankruptcy Code.
- ?? All accrued and unpaid employee severance obligations arising under the employment policies currently in force for employees terminated by the Globalstar Contributing Entities with Thermo's prior written consent after November 17, 2003.
- ?? All accrued and unpaid amounts required to be paid under the Employee Retention Program.
- ?? All accrued and unpaid fees and expenses of Bankruptcy Professionals, but only to the extent such fees and expenses are actually allowed by, or that are permitted to be paid pursuant to, an order of the Bankruptcy Court, including the order dated March 22, 2002 establishing procedures for interim compensation and reimbursement of expenses for the Bankruptcy Professionals.
- ?? All accrued and unpaid obligations arising solely with respect to the Debtors' current and former employees who are participants under the Loral Retirement Plan Sponsored by Space Systems/Loral, Inc. (the "Loral Retirement Plan") but only if and to the extent that such obligations and assets attributed to Globalstar's participants can be severed from the Loral Retirement Plan and assumed by New Globalstar.
- ?? Effective as of the Interest Acquisition Date the obligations of the Globalstar Contributing Entities under Assumed Contracts that, by the terms of such Assumed Contracts, arise after the Interest Acquisition Date and relate to periods following the Interest Acquisition Date and are to be observed, paid, discharged or performed, as the case may be, in each case, at any time after the Interest Acquisition Date; and all amounts required to be paid pursuant to section 365(b)(1) of the Bankruptcy Code in connection

with the assumption of such contracts. New Globalstar is also responsible for and will pay all obligations of the Globalstar Contributing Entities under the Assumed Contracts and Rejected Contracts arising in the ordinary course of the Debtors' business after the Petition Date and relating to periods following the Petition Date and to be observed, paid, discharged or performed, as the case may be, in each case, at any time after the Petition Date, but only to the extent that such obligations would be entitled to allowance as administrative expenses under section 503(b)(1)(A) of the Bankruptcy Code.

- ?? Any other liabilities, commitments or obligations that arose with respect to the assets or the use thereof following the Petition Date in the ordinary course of business of the Globalstar Contributing Entities or pursuant to any order of the Bankruptcy Court.
- ?? The liabilities or obligations under the retention agreement with Jefferies with respect to the monthly retainer and out-of-pocket expenses and approved professional fees for prior periods.

Following the assumption of Assumed Liabilities by GS Holdings described above, New Globalstar assumed from GS Holdings and agreed to pay, perform and discharge in accordance with their terms, the Assumed Liabilities.

## **6. Certain Covenants**

### **a. Contribution of Wind-Up Funds and Avoidance Actions**

The Asset Contribution Agreement provides that on the Effective Date the Debtors will contribute to GS Holdings, which will immediately thereafter contribute to New Globalstar, (a) all cash then held by the Debtors, except for any cash necessary to consummate the Plan (including payment of administrative and other claims) and to perform the ministerial functions of closing the Chapter 11 Cases, and (b) all avoidance actions held by the Debtors on such date. These contributions will not result in the issuance of any additional equity to the Debtors. From and after the Effective Date, New Globalstar will provide reasonable assistance to the Debtors in connection with the administration of the Chapter 11 Cases or any liquidation or other winding up of the Debtors at no charge, including permitting its employees to spend such portion of their time as may be reasonably necessary to direct and oversee the administration of the Chapter 11 Cases or any liquidation or other winding up of the Debtors, and New Globalstar will serve as disbursing agent for such liquidation and winding up of the Debtors.

### **b. Obligation of Thermo to Fund New Globalstar**

The Asset Contribution Agreement provides that during the period commencing with the Contribution Date and ending on the second anniversary of the Interest Acquisition Date, Thermo will fund New Globalstar, directly or indirectly, with not less than \$43.0 million in cash in the aggregate (with not less than \$25.0 million of such cash to be provided on or before the 160<sup>th</sup> day following the Interest Acquisition Date, not less than \$30.0 million of such cash to be provided on or before the first anniversary of the Interest Acquisition Date, and not less than \$35.0 million of such cash to be provided on or before the date which is 18 months following the Interest Acquisition Date). Cash provided by Thermo and its affiliates from all sources will be credited towards this \$43.0 million obligation, including amounts paid in cash to purchase the Thermo DIP Facility, amounts advanced by the Thermo DIP Lender pursuant to the Thermo DIP Facility, and except as described in the next sentence, amounts contributed by Thermo to GS Holdings and New Globalstar. Cash invested by Thermo or its affiliates in (a) Globalstar Leasing, (b) GS Holdings to the extent required for the business and operations of GS Holdings and therefore not subsequently contributed to New Globalstar during the two-year period described above, or (c) New Globalstar to repay the Thermo DIP Facility will not be credited towards this \$43.0 million obligation (or the obligation to fund \$25.0 million by a certain date described above).

**c. Thermo Funding to Repay Thermo DIP Facility**

The Asset Contribution Agreement provides that when Thermo is required to pay the Thermo Note, New Globalstar will pay in full to Thermo all then outstanding principal and interest due under the Thermo DIP Facility in accordance with its terms. If at such time, New Globalstar requires additional funds to pay such principal and interest, Thermo is obligated to make an additional equity investment in New Globalstar in an amount necessary to provide such funds. In exchange for such investment, Thermo will receive additional Membership Interests at a price equivalent to the exercise price under the Series A Rights. Such investment will be subject to the preemptive rights described below and will not be credited towards Thermo's \$43.0 million funding commitment.

**d. Right of GTL Shareholders to Participate in First Public Offering**

The Asset Contribution Agreement provides that Thermo and New Globalstar will use commercially reasonable efforts to ensure that all shareholders of record of GTL as of the Effective Date have the opportunity to acquire securities in the first underwritten public offering of equity securities, if any, made by New Globalstar on or before the third anniversary of the Effective Date at the price such securities are offered to the public and in such amounts as New Globalstar determines to be appropriate after consultation with the managing underwriter or underwriters for such offering so long as doing so will not result in additional material expense to New Globalstar, have an adverse effect on the success of the offering or result in any material delay of the completion of the offering. This obligation will automatically terminate if GTL dissolves or take any other action adverse to the Debtors prior to the Effective Date without the prior written consent of the Debtors.

**e. Assumption and Rejection of Contracts**

The Asset Contribution Agreement provides that prior to the Interest Acquisition Date, Thermo, by written notice to Globalstar (a "Rejection Notice"), was unilaterally permitted to amend an exhibit of excluded contracts to the Asset Contribution Agreement, and thereby request the Debtors to reject any pre-Petition Date contract to which any Debtor was a party; provided that (a) there was to be no adjustment to the consideration received by the Debtors as a result thereof, and (b) New Globalstar would remain responsible for any liability for goods and services provided under such Rejected Contract during the period commencing on the Petition Date and ending on the day an order is approved by the Bankruptcy Court rejecting the Rejected Contract, whether before or after the Interest Acquisition Date, but only to the extent that such liability arose in the ordinary course of the Debtors' business post-petition and would be entitled to allowance as an administrative expense under section 503(b)(1)(A) of the Bankruptcy Code. Immediately prior to the Interest Acquisition Date, Thermo delivered a Rejection Notice. The Debtors will use commercially reasonable efforts to seek an order of the Bankruptcy Court rejecting the Rejected Contracts as soon as practicable. Any contract listed on the exhibit of excluded contracts (originally or by addition) will cease to constitute an Assumed Contract for all purposes of the Asset Contribution Agreement and any pre-Petition Date liability arising under such contract will be an Excluded Liability. On the Interest Acquisition Date, the Debtors assigned to New Globalstar, and New Globalstar assumed, each pre-Petition Date contract, and subject to obtaining any required consents, each post-Petition Date contract that was not listed on such exhibit of excluded contracts as of the Interest Acquisition Date, and the liabilities arising under each such contracts constitute Assumed Liabilities.

**f. Cure Claims**

The Asset Contribution Agreement provides that on or prior to the later of (i) the Interest Acquisition Date, or (ii) five Business Days after entry of an order of the Bankruptcy Court authorizing the assumption of any Assumed Contract and allowing a cure claim for such Assumed Contract pursuant to section 365(b) of the Bankruptcy Code, whether by an agreement amount the parties to the Asset Contribution Agreement or following litigation (the "Allowed Cure Claim"), New Globalstar will pay to, or for the benefit of, the Globalstar Contributing Entities the Allowed Cure Claim in immediately available funds.

## 7. Assumed Contracts

The Asset Contribution Agreement provides that to the extent that any Assumed Contract could not be assigned to and assumed by New Globalstar on the Interest Acquisition Date because, notwithstanding the approval of the Bankruptcy Court, an approval, consent or waiver of a third party is required for such assignment and assumption (a "Required Consent") and has not been obtained, then: (a) such Assumed Contract will not be assigned and assumed pursuant to the Asset Contribution Agreement until the receipt of such Required Consent; (b) the Globalstar Contributing Entities will, at New Globalstar's expense, enter into such agreements and arrangements as are reasonably requested by New Globalstar to provide to it the economic benefit (taking into account tax costs and benefits) and operational equivalent of the assignment and assumption of such Assumed Contract until such Required Consent is received; and (c) the parties to the Asset Contribution Agreement will use commercially reasonable efforts to obtain all Required Consents as soon as practicable (provided the Globalstar Contributing Entities will not be required to incur any costs or expenses in connection therewith which are not reimbursed by Thermo or New Globalstar).

### C. THE THERMO DIP FACILITY

The Thermo DIP Facility provided Globalstar with debtor-in-possession financing of up to \$35.0 million, subject to the satisfaction of certain conditions set forth therein. Globalstar and New Globalstar are borrowers (the "Borrowers") under the Thermo DIP Facility and each of the GLP Subsidiary Debtors and GS Holdings are guarantors (the "Guarantors"). Advances under the Thermo DIP Facility accrued interest at a rate of 8% per annum, which will be capitalized on the last business day of each fiscal quarter and evidenced by a note (the "PIK Note"). The PIK Note also accrued interest at a rate of 8% per annum, which were capitalized on the last business day of each fiscal quarter and evidenced by the PIK Note. The Thermo DIP Facility will mature on the earlier of the Effective Date or June 30, 2004. On the Interest Acquisition Date, Thermo converted all amounts outstanding under the Thermo DIP Facility into equity of New Globalstar, except for the principal amount of the Thermo Note (*i.e.*, \$10.0 million), and released the Debtors from all obligations under the Thermo DIP Facility. See Section VII.B of this Disclosure Statement.

On the Interest Acquisition Date, the Thermo DIP Lender released all liens and security interests, and all obligations under the Thermo DIP Facility were deemed unsecured obligations of New Globalstar.

As of the Interest Acquisition Date, the Thermo DIP Facility effectively converted into a term loan and New Globalstar has no rights to borrow additional amounts thereunder.

### D. LEASE AGREEMENT

On December 5, 2003 (*i.e.*, the Contribution Date), Globalstar Leasing and New Globalstar entered into a Lease Agreement whereby Globalstar Leasing leased to New Globalstar the Leased Assets. The initial term of the Lease Agreement ends on December 31, 2006. New Globalstar may extend the Lease Agreement for an additional term of three years, which would begin immediately following the expiration of the initial term. Rent payable by New Globalstar under the Lease Agreement is \$33,333.33 per month.

Pursuant to the terms of the Lease Agreement, New Globalstar has agreed to (a) at its expense, maintain the Leased Assets in good repair, condition and working order and furnish all parts and servicing required therefor, (b) assume liability for and pay all license fees, assessments, taxes and other charges imposed with respect to any of the Leased Assets, and (c) indemnify Globalstar Leasing from and against all claims, costs, expense, damages and liabilities arising from or pertaining to the Leased Assets. New Globalstar may not, without Globalstar Leasing's prior written consent, assign or sublease the Lease Agreement or any interest contained in the Lease Agreement.

The occurrence of any of the following events or conditions will constitute an "event of default" under the Lease Agreement: (a) failure by New Globalstar to pay when due any rent or any other amounts due by New Globalstar to Globalstar Leasing under the Lease Agreement within five Business Days following the due date thereof; (b) failure by New Globalstar to observe or perform any covenant, agreement term or condition of the Lease Agreement if such failures shall continue for a period of 30 days after written notice from Globalstar Leasing;

(c) any warranty, representation, or statement made or furnished to Globalstar Leasing by or on behalf of New Globalstar proves to have been or to be false in any material respect; (d) the attempted sale or encumbrance by New Globalstar of any of the Leased Assets without Globalstar Leasing prior written consent, or the making of any levy, seizure or attachment thereof or thereon; or (e) dissolution, termination of existence, discontinuance of business, insolvency or business failure of New Globalstar, or appointment of a receiver for any part of New Globalstar's property or assignment for the benefit of creditors by New Globalstar, or the commencement of any proceeding under any bankruptcy, reorganization or arrangement laws by or against New Globalstar and such proceeding shall not be vacated within 30 days thereof.

Upon the occurrence of any event of default under the Lease Agreement and at any time thereafter, Globalstar Leasing may exercise any one or more of the following remedies, as Globalstar Leasing may elect: (a) declare all unpaid rent and any other amounts due or to become due hereunder immediately due and payable; (b) terminate the remaining term of the Lease Agreement without releasing New Globalstar from any of its remaining obligations hereunder; (c) take possession (or otherwise assume control) of the Leased Assets wherever found, and for this purpose enter upon any premises of New Globalstar and remove the Leased Assets, without any liability to New Globalstar, and remove the same; (d) cause New Globalstar at its expense promptly to return (or return control of, in the case of those Leased Assets that are satellites still deployed in space) the Leased Assets to Globalstar Leasing in the same condition as when received by New Globalstar, ordinary wear and tear excepted (except that New Globalstar shall have no obligation to return (or restore to their original condition) satellites that have been damaged, lost or otherwise destroyed in space); (e) sell or lease any of the Leased Assets, at public auction or by private sale or lease at any location, at such time, and upon such terms as Globalstar Leasing may determine, free and clear of any rights of New Globalstar, with or without notice to New Globalstar; (f) otherwise hold, operate, or keep idle the Leased Assets as Globalstar Leasing may determine, free and clear of any rights of New Globalstar and without any duty to account to New Globalstar with respect to such action or inaction; (g) proceed by action either at law or in equity to enforce performance by New Globalstar of the applicable covenants of the Lease Agreement or to recover damages for the breach thereof; or (h) exercise any and all rights accruing to a lessor under any applicable law upon a default by a lessee. In addition, in the event that New Globalstar fails to pay any sum of money to be paid under the Lease Agreement, whether rent or otherwise, when due, New Globalstar will pay to Globalstar Leasing, as additional rent, interest on such unpaid sum from its due date to the date of receipt by Globalstar Leasing of payment at a rate per annum equal to 18% or the maximum rate permitted by applicable law, whichever is lower.

Under the Lease Agreement, upon the occurrence of a "triggering event" New Globalstar will have the option to purchase all of the Leased Assets for \$5.0 million. A "triggering event" for this purpose means the occurrence of (a) a public offering registered under the Securities Act of 1933, as amended (the "Securities Act") of the equity securities of New Globalstar or any successor thereto, (b) a secured loan financing of New Globalstar or any successor thereto obtained from third parties in an amount of at least \$25.0 million, (c) a sale of substantially all the assets of New Globalstar or any successor thereto, or (d) a change in control of New Globalstar.

## **VIII. NEW GLOBALSTAR**

### **A. INTRODUCTION**

On the Effective Date, pursuant to the Plan, Membership Interests will be distributed to holders of Allowed Claims in Classes 4 and 5 in exchange for their Claims. See Article III of this Disclosure Statement. The following discussion of the capital structure of New Globalstar and certain corporate governance matters related to New Globalstar (including certain provisions of the certificate of formation of New Globalstar (the "New Globalstar Certificate") and the New Globalstar LLC Agreement intended to provide minority protections to the holders of Allowed Claims receiving Membership Interests) is intended for the benefit of the holders of those Claims.

## **B. CAPITAL STRUCTURE OF NEW GLOBALSTAR**

### **1. Membership Interests Generally**

Thermo directly holds a 61.59% Membership Interest, GS Holdings directly holds a 19.66% Membership Interest and the Debtors hold an 18.75% Membership Interest. The 18.75% Membership Interest held by the Debtors will ultimately be distributed to holders of certain Allowed Claims pursuant to the Plan.

Membership Interests are uncertificated and no holder of a Membership Interest (a "Member") has the right to receive any certificates evidencing its Membership Interest. Each person or entity admitted as a Member will be listed on Schedule 1 to the New Globalstar LLC Agreement, and such Member's Membership Interest will be recorded on such Schedule 1 opposite such Member's name.

New Globalstar is a limited liability company formed under the Delaware Limited Liability Company Act (the "Delaware Act"), and the rights of Members will be governed by the New Globalstar LLC Agreement and the Delaware Act.

Generally, net profits and net losses of New Globalstar will be allocated to the Members in proportion to their respective Membership Interests, and any distributions of distributable cash flow will be made to the Members in the same amount and ratio of such allocation at such time as determined by the New Globalstar Board.

Generally, no Member will be personally liable for any debt, obligation or liability of New Globalstar solely by reason of being a Member. No Member will have any interest in any specific asset or property of New Globalstar.

Members may take action in writing without a meeting. Any written action taken by Members holding a majority of the Membership Interests but fewer than all members must be delivered to all Members. The New Globalstar Board or Members holding a majority of the Membership Interests may call a meeting of Members. Notice of any such meeting will be given to all Member entitled to vote at such meeting. The presence of any meeting in person or by process of Members holding not less than a majority of the Membership Interests entitled to vote will constitute a quorum for the transaction of business.

New Globalstar will be dissolved and its affairs wound up upon the first to occur if the following: (a) the written consent of Members holding at least a majority of the Membership Interests; (b) the sale of substantially all of assets for cash; and (c) the entry of a decree of judicial liquidation. Following payment of or provision for liabilities, net proceeds of liquidation will be distributed to the Members in accordance with the priorities set forth in the New Globalstar LLC Agreement.

### **2. Series A Rights and Series B Rights**

#### **a. Overview**

The New Globalstar LLC Agreement provides that, pursuant to the Plan, New Globalstar will grant to the Debtors' creditors in Classes 4 and 5 the right during the period commencing on the Effective Date and ending on the date that is the 180<sup>th</sup> day following the Interest Acquisition Date to make capital contributions to New Globalstar and purchase additional Membership Interests as follows: (a) a 15.12% Membership Interest for an aggregate purchase price of \$8.0 million (the "Series A Rights") and (b) a 2.5% Membership Interest for an aggregate of \$4.0 million (the "Series B Rights"). The New Globalstar LLC Agreement further provides that following any exercise of the rights described above New Globalstar will redeem from Thermo an amount of Membership Interests equal to the amount of Membership Interests purchased pursuant to such rights at an aggregate price equal to the aggregate cash contributed by the Debtors' creditors in Classes 4 and 5 upon such exercise.

The Plan provides that Undisputed Holders are entitled to exercise Series A Rights and Series B Rights. Each Undisputed Holder has the right to acquire its Pro Rata share of Membership Interests available for acquisition on exercise of Series A Rights and Series B Rights (subject to the application of Section VIII.C of the Plan) pursuant

to primary exercises. Undisputed Holders may also oversubscribe for these rights. If there are any rights not fully subscribed pursuant to primary exercises, Undisputed Holders may attempt to acquire the Membership Interests associated with such exercises through an oversubscription exercise. Pursuant to Section VIII.C of the Plan, a portion of the Membership Interests available on exercise of Series A Rights and Series B Rights will be reserved for acquisition by holders of Disputed General Unsecured Claims upon exercise of Series A Rights and Series B Rights. If Disputed General Unsecured Claims are not Allowed or are Allowed in less than the reserved amounts, there will be a greater number of Membership Interests that could be acquired pursuant to primary exercises by Undisputed Holders.

The Series A Rights and Series B Rights must be exercised by the Rights Expiration Time. To ensure that Undisputed Holders may acquire the Membership Interests reserved for possible acquisition by holders of Disputed General Unsecured Claims that are ultimately not so acquired, Undisputed Holders may exercise, contingent on the allowance or disallowance of claims, Series A Rights and Series B Rights as if all General Unsecured Claims are not Allowed. To make such contingent exercise, Undisputed Holders will have to remit funds to the Disbursing Agent in an amount sufficient to cover such contingent exercise.

Similarly, in order to preserve their right, if any, to acquire Membership Interests upon exercise of Series A Rights and Series B Rights as provided in Section VIII.C of the Plan, holders of Disputed General Unsecured Claims will have to remit funds necessary to acquire such Membership Interests prior to the Rights Expiration Time. Pursuant to Section VIII.C of the Plan, holders of Disputed General Unsecured Claims will be entitled to exercise Series A Rights only if the Membership Interests sought to be acquired by Undisputed Holders upon exercise of Series A Rights exceeds the actual amount of Membership Interests available for acquisition on exercise of Series A Rights and, similarly, will be entitled to exercise Series B Rights only if the Membership Interests sought to be acquired by Undisputed Holders upon exercise of Series B Rights exceeds the actual amount of Membership Interests available for acquisition on exercise of Series B Rights.

The Membership Interests received pursuant to Section VIII.C of the Plan will be disbursed based on Disputed General Unsecured Claims. If such Membership Interests are disbursed to the Undisputed Holders, the holders of such Disputed Claims will receive the cash remitted to acquire such Membership Interests and, conversely, if such Membership Interests are disbursed to holders of such previously Disputed Claims that were allowed, the Undisputed Holders will receive a refund of the cash remitted to purchase such Membership Interests.

The following example illustrates the mechanism. Assume that 100 Membership Interests are available at an exercise price of \$1 each, that there are \$93 of claims held by Undisputed Holders, and that there are \$7 of Disputed General Unsecured Claims. The Undisputed Holders may attempt to acquire all 100 Membership Interests through primary exercises, but will have minimum primary exercises of 93 Membership Interests. If the Undisputed Holders fully subscribe for the 100 Membership Interests and the Disputed Claim Holders subscribed for their maximum primary exercise of seven Membership Interests, the Disbursing Agent will receive \$107. The Disbursing Agent will use \$100 to exercise the rights and receive 100 Membership Interests, and will have \$7 remaining. The Disbursing Agent will then make an initial distribution to the Undisputed Holders of 93 Membership Interests. After such initial distribution, there will be seven Membership Interests and \$7 held by the Disbursing Agent. If, as a result of the resolution of Disputed Claims, it is determined that \$3 of such Claims are Allowed and \$4 of such Claims are not Allowed, the Disbursing Agent will distribute to the holders of previously Disputed Claims 3 Membership Interests and a refund of \$4 in cash, and will distribute to Undisputed Holders an additional four Membership Interests and a refund \$3 in cash.

#### **b. Series A Rights**

The Series A Rights are exercisable to purchase, in the aggregate, a 15.12% Membership Interest (the "Series A Rights Consideration") for \$8.0 million. If an Undisputed Holder of a Series A Right elects to purchase 100% of its pro rata share of such Membership Interests (a "Series A Primary Exercise"), such holder will be eligible to participate in the purchase of any Membership Interests remaining after the initial elections of all Undisputed Holders of Series A Rights (a "Series A Oversubscription Exercise"), all subject to the provisions of Section VIII.C of the Plan providing for the exercise of Series A Rights by holders of Disputed General Unsecured Claims. The procedures for the exercise of Series A Rights are as follows:

General. Each Series A Right may be exercised by an Undisputed Holder at any time prior to 4:00 p.m., New York City time on the date that is the 180<sup>th</sup> day following the Interest Acquisition Date or, if such day is not a Business Day, the next following Business Day (*i.e.*, the Rights Expiration Time). An Undisputed Holder of a Series A Right may exercise all or any portion of such holder's Series A Right pursuant to a Series A Primary Exercise. If an Undisputed Holder has more than one Series A Right, all Series A Rights that are to be exercised by such holder pursuant to a Series A Primary Exercise must be exercised concurrently. Any Undisputed Holder of a Series A Right that seeks to acquire all of its Pro Rata share of the Series A Rights Consideration pursuant to a Series A Primary Exercise may also seek to acquire all or any portion of the remaining Series A Rights Consideration by means of a Series A Oversubscription Exercise. Any exercise of Series A Rights pursuant to a Series A Primary Exercise or a Series A Oversubscription Exercise will be irrevocable, and any exercise of an Series A Oversubscription Exercise will be subject to prorationing as described below in the event that the Membership Interests sought to be acquired pursuant to Series A Primary Exercises and Series A Oversubscription Exercises exceed the Membership Interests comprising the Series A Rights Consideration available for distribution to Undisputed Holders after application of the provisions of Section VIII.C of the Plan. In regards to the Series A Rights, "Pro Rata" means, as of a date of determination, with respect to a Series A Primary Exercise (i) by the Loral Entities (in the aggregate), the product of (A) the ratio (expressed as a percentage) that \$459,586,784 bears to the amount of the Claims of all Undisputed Holders as of the Rights Expiration Time, multiplied by, and (B) 1.00 minus the Disputed Claims Factor, and (ii) a holder of an Allowed General Unsecured Claim, the product of (A) the ratio (expressed as a percentage) that the product of (x) the amount of any Allowed General Unsecured Claim as of the Distribution Record Date multiplied by (y) the sum of all Allowed General Unsecured Claims as of the Distribution Record Date plus \$420,000,000 bears to the amount of the Claims of all Undisputed Holders as of the Rights Expiration Time, multiplied by (B) 1.00 minus the Disputed Claims Factor; provided, that such calculation shall be subject to procedures set forth in Section VIII.C.1 of the Plan with respect to the Disputed Claims Factor; provided further, that the Claims of all Undisputed Holders shall include the Loral Claims in the aggregate amount of \$479,586,784; provided, further, that for purposes of Section I.A.83(c) of the Plan, the Claims of all Undisputed Holders of the Rights Expiration Time shall include the estimated amount of Disputed Claims determined in accordance with Section VIII.C.1 of the Plan. The Disputed Claims Factor is used to create a reserve for holders of Disputed General Unsecured Claims.

Method of Exercise and Payment. In order for any Series A Primary Exercise and any related Series A Oversubscription Exercise of a Series A Right to be valid and effective, an Undisputed Holder of a Series A Right seeking to effect such Series A Primary Exercise and related Series A Oversubscription Exercise, if applicable, must deliver to the Disbursing Agent prior to the Rights Expiration Time a properly completed and duly executed Series A Exercise Notice which (a) indicates the portion of the Series A Rights Consideration sought to be acquired pursuant to a Series A Primary Exercise and the portion, if any, of the Series A Right Consideration sought to be acquired pursuant to a Series A Oversubscription Exercise and (b) is accompanied by a certified check or bank draft drawn on a United States bank or wire transfer in an amount equal to the sum of (i) the product of \$52.91 and the number of 0.0001% Membership Interests included in the Series A Rights Consideration sought to be acquired pursuant to the Series A Primary Exercise and (ii) the product of \$52.91 and the number of 0.0001% Membership Interests included in the portion of the Series A Rights Consideration sought to be acquired pursuant to the Series A Oversubscription Exercise. The foregoing items will not be deemed to have been timely delivered to the Disbursing Agent (and thus the attempted exercise of a Series A Right pursuant to a Series A Primary Exercise and/or a Series A Oversubscription Exercise will not be valid or effective) unless they are actually received by the Disbursing Agent at the address specified therefor in the Series A Exercise Notice prior to the Rights Expiration Time and are completed and executed in conformity with the Series A Exercise Instructions.

Notification of Purchase. As promptly as practicable (and, in any event, not later than ten Business Days) following the Rights Expiration Time, the Disbursing Agent will mail to each Undisputed Holder of a Series A Right that has sought to exercise its Series A Right in a Series A Primary Exercise and/or Series A Oversubscription Exercise an initial written statement specifying the portion of the Series A Rights Consideration that was validly and effectively acquired by such holder (after giving effect, if applicable, to prorationing for oversubscriptions and the application of Section VIII.C of the Plan, each as described

below), together with a check in the amount being refunded (without interest) in respect of the Series A Rights Exercise Price not applied to the acquisition of Series A Rights Consideration as a result of ineffective exercise by such holder due to untimeliness or noncompliance with the requirements specified in Section VIII.A of the Plan or in the Series A Exercise Notice or prorationing pursuant to the immediately preceding paragraph, or otherwise. Thereafter, as promptly as practicable (and, in any event, not later than ten Business Days) following each Quarterly Distribution Date, the Disbursing Agent will, to the extent applicable, mail to each Undisputed Holder of a Series A Right that has sought to exercise its Series A Right in a Series A Primary Exercise and/or Series A Oversubscription Exercise (a) a written statement specifying any increase in Membership Interests validly and effectively acquired by such holder (after giving effect, if applicable, to prorationing for oversubscriptions and the application of Section VIII.C of the Plan in connection with the allowance or disallowance of Disputed General Unsecured Claims) and/or (b) a check in any amount being refunded (without interest) in respect of Series A Rights Exercise Price that will not be applied to the acquisition of Series A Rights Consideration as a result of the application of Section VIII.C of the Plan. The actual portion of Series A Rights Consideration that will be acquired upon exercise of Series A Rights will be subject to rounding in accordance with Section VI.G.2 of the Plan.

Exercise Notice. In order to facilitate the exercise of the Series A Rights, the Disbursing Agent will mail on, or as promptly as practicable (but, in any event, no later than ten Business Days) following, the Effective Date to each Undisputed Holder existing as of the Distribution Record Date a Series A Exercise Notice in substantially the form attached as Exhibit E hereto (which will include instructions for the proper completion and due execution thereof, together with instructions for payment of the applicable Series A Exercise Price for the portion of the Series A Rights Consideration sought to be acquired to the Disbursing Agent and may specify other requirements relating to the valid and effective exercise of a Series A Right). All determinations as to proper completion, due execution, timeliness, eligibility, prorationing and other matters affecting the validity or effectiveness of any attempted exercise of any Series A Right shall be made by the Disbursing Agent, whose good faith determination shall be final and binding. The Disbursing Agent, in its good faith determination, may waive any defect or irregularity, permit a defect or irregularity to be cured within such time as it may determine in good faith to be appropriate or reject the purported exercise of any Series A Right suffering from any such defect or irregularity. Deliveries required to be received by the Disbursing Agent in connection with a purported exercise of any Series A Right will not be deemed to have been so received or accepted until actual receipt thereof by the Disbursing Agent shall have occurred and any defects or irregularities shall have been waived or cured within such time as the Disbursing Agent may determine in good faith to be appropriate. The Disbursing Agent will use its commercially reasonable efforts to give notice of any defect or irregularity in connection with any purported exercise of a Series A Right and permit such defect or irregularity to be cured within such time as it may determine in good faith to be appropriate.

Prorationing. In the event that the Membership Interests sought to be acquired pursuant to Series A Primary Exercises and Series A Oversubscription Exercises exceed the Series A Rights Consideration available for acquisition by Undisputed Holders after the application of Section VIII.C of the Plan, (a) all Membership Interests that shall have otherwise been validly and effectively acquired pursuant to Series A Primary Exercises shall be deemed to have been validly and effectively acquired and (b) the Membership Interests that shall be deemed to have been validly and effectively acquired by any particular Undisputed Holder of a Series A Right pursuant to a Series A Oversubscription Exercise (assuming all other requirements for valid and effective exercise shall have been satisfied) shall be determined by multiplying (i) the Membership Interests comprising the Series A Rights Consideration available for acquisition by Undisputed Holders after the application of Section VIII.C of the Plan that was not validly and effectively acquired pursuant to Series A Primary Exercises by (ii) a fraction, the numerator of which shall be the Membership Interests sought to be acquired by such Undisputed Holder pursuant to Series A Oversubscription Exercise and the denominator of which will be the Membership Interests sought to be acquired by all Undisputed Holders of Series A Rights pursuant to Series A Oversubscription Exercise.

Procedures for Disputed Claims. Section VIII.C of the Plan provides for the exercise of Series A Rights and Series B Rights by holders of Disputed General Unsecured Claims as described below.

*Disputed General Unsecured Claims.* The Disbursing Agent will mail a form of Series A Rights Exercise Notice (i) to each holder of a Disputed General Unsecured Claim as of the Distribution Record Date on, or as promptly as practicable (but, in any event, no later than ten Business Days) following the Effective Date, and (ii) to any holder of a Claim timely filed pursuant to Section V.C of the Plan after the Distribution Record Date as promptly as practicable after such filing. If any such holder becomes an Undisputed Holder prior to the Rights Expiration Time, Section VIII.A of the Plan will govern such holder's exercise of the Series A Rights. Any such holder that does not become an Undisputed Holder prior to the Rights Expiration Time may seek to acquire Membership Interests comprising the Series A Rights Consideration as contemplated by Section VIII.C.1(a) of the Plan. In order to so acquire any such Membership Interests, such holder must deliver to the Disbursing Agent prior to the Rights Expiration Time a properly completed and duly executed Series A Rights Notice which (i) indicates the portion of the Series A Rights Consideration sought to be acquired and (ii) is accompanied by a check or bank draft drawn on a United States bank or wire transfer in an amount equal to the product of the Series A Rights Exercise Price and the number of 0.0001% Membership Interests included in the portion of the Series A Rights Consideration sought to be acquired.

At or immediately prior to the Rights Expiration Time, GCC (and subsequent to its dissolution, New Globalstar) will determine the aggregate amount of Membership Interests comprising the Series A Consideration that could have been acquired by holders of Disputed General Unsecured Claims upon Series A Primary Exercises if such Claims had been Allowed as of the Rights Expiration Time in amounts determined, in good faith, by New Globalstar to be reasonable based on the relevant facts and circumstances of each such Claim.

In the event that the Membership Interests sought to be acquired pursuant to Series A Primary Exercises and Series A Oversubscription Exercises by Undisputed Holders exceed the actual amount of Membership Interests comprising the Series A Rights Consideration, promptly following the Rights Expiration Time there will be placed in a segregated account: (i) the amount of Membership Interests comprising the Series A Rights Consideration sought to be acquired by holders of Disputed General Unsecured Claims, (provided that, in no event, will the amount of Membership Interests placed in such segregated account exceed the amount of Membership Interests determined as described in the immediately preceding paragraph) and (ii) the cash delivered by Undisputed Holders and holders of Disputed General Unsecured Claims in respect of the Membership Interests placed in such segregated account. A portion of such cash equal to the Series A Exercise Price for the Membership Interests will be delivered to New Globalstar from such segregated account. The Membership Interests and cash remaining in such segregated account will be distributed as described in the next following paragraph.

Promptly following each Quarterly Distribution Date after the Rights Expiration Time, the Disbursing Agent will determine for each Disputed General Unsecured Claim that was Allowed since the next preceding Quarterly Distribution Date (or, in the case of the first such Quarterly Distribution Date, since the Rights Expiration Time), the amount of Membership Interests comprising the Series A Consideration that could have been acquired by the holder thereof upon a Series A Primary Exercise if such Claim had been so Allowed as of the Rights Expiration Time (assuming all other Disputed General Unsecured Claims that were Allowed since the Rights Expiration Time had also been so Allowed as of the Rights Expiration Time). Each such holder will then acquire from the segregated account established as described in the immediately preceding paragraph an amount of Membership Interests equal to the lesser of (i) the amount of Membership Interests determined as described in the immediately preceding sentence, and (ii) the amount of Membership Interests sought to be acquired by such holder pursuant to Section VIII.C.1(a) of the Plan and the Disbursing Agent will deliver from the segregated account established as described in the immediately preceding paragraph (i) to the Undisputed Holders entitled thereto in accordance with Section VIII.A of the Plan, cash in an amount equal to the Series A Exercise Price for the Membership Interests acquired as described in the immediately preceding sentence and (ii) to such holder, cash in an amount equal to the excess of the amount of cash delivered by such holder to acquire Series A Rights

Consideration pursuant to Section VIII.C of the Plan over the Series A Exercise Price for the Membership Interests acquired by such holder as described in this sentence.

Promptly following each Quarterly Distribution Date after the Rights Expiration Time, the Disbursing Agent will deliver to the holder of any Disputed General Unsecured Claim that was determined not to have been an Allowed Claim since the next preceding Quarterly Distribution Date (or, in the case of the first such Quarterly Distribution Date, since the Rights Expiration Time) cash from the segregated account established as described above in an amount equal to the cash delivered by such holder to acquire Series A Rights Consideration pursuant to Section VIII.C of the Plan. After all Disputed General Unsecured Claims have been resolved, and all deliveries contemplated by Section VIII.C.1(a) of the Plan have been made, all Membership Interests and cash remaining in the segregated account established as described above will be delivered to Undisputed Holders in accordance with Section VIII.A of the Plan.

As promptly as practicable (and, in any event, not later than 10 Business Days) following each Quarterly Distribution Date, the Disbursing Agent will, to the extent applicable, mail to each holder of a Disputed General Unsecured Claim that was Allowed or determined to be not Allowed since the next preceding Quarterly Distribution Date (or, in the case of the first such Quarterly Distribution Date, since the Rights Expiration Time), (i) a written statement specifying the amount of Membership Interests acquired by such holder as described above and/or (ii) a check in the amount to be delivered to such holder as described above.

Additional Procedures. The Debtors, the Disbursing Agent (other than New Globalstar) and, with respect to Section VII.C of the Plan, New Globalstar are authorized by the Plan to adopt additional detailed procedures (not inconsistent with such procedures as are provided in the Plan) to more efficiently administer the exercise of the Series A Rights and Series B Rights.

### **c. Series B Rights**

The Series B Rights are exercisable to purchase, in the aggregate, a 2.5% Membership Interest for \$4.0 million. If an Undisputed Holder of a Series B Right elects to purchase 100% of its pro rata shares of such Membership Interest (a "Series B Primary Exercise"), such holder will be eligible to participate in the purchase of any Membership Interests remaining after the initial elections of all Undisputed Holders of Series B Rights (a "Series B Oversubscription Exercise"), all subject to the provisions of Section VIII.C of the Plan providing for the exercise of Series B Rights by holders of Disputed General Unsecured Claims. The procedures for the exercise of Series B Rights are identical to those for the exercise of a Series A Right except that the Series B Rights Exercise Price is \$160.00 per 0.0001% of Membership Interests and the Series B Exercise Notice will be in substantially the form of Exhibit F hereto.

## **3. Restrictions on Transfer of Membership Interests**

The New Globalstar LLC Agreement provides that a Member may not, directly or indirectly, transfer, assign, pledge or otherwise encumber ("Transfer") its Membership Interest or any economic interest therein without the prior written consent of the New Globalstar Board, and any attempted Transfer of a Membership Interest or any economic interest therein without the prior written consent of the New Globalstar Board (as determined in its reasonable discretion) will be null and void and will not be recognized. Notwithstanding the foregoing, on or prior to a date determined by the New Globalstar Board between the 24-month anniversary and the 30-month anniversary of the New Globalstar LLC Agreement (*i.e.*, the Lock-Up Expiration Date) (or, if earlier, on or prior to the effective date of a registration statement under the Securities Act with respect to any registered offering by New Globalstar of its equity securities pursuant to such a registration statement), these provisions will cease to apply and Membership Interests will become transferable without the consent of the New Globalstar Board, subject to the provisions described below. At such date, New Globalstar will make all necessary filings and take all other necessary steps to register its Membership Interests (or any successor equity securities thereto) pursuant to Section 12 of the Exchange Act, with such registration to be effective on or prior to the Lock-Up Expiration Date.

No Transfer of a Membership Interest or any economic interest therein will be permitted unless the New Globalstar Board has determined in its reasonable discretion, after consultation with counsel, that such Transfer:

(i) if prior to the Lock-Up Expiration Date, will not result in termination of the New Globalstar as a "pass through" entity under federal income tax laws; (ii) is exempt from the registration requirements of the Securities Act and from any applicable registration or qualification requirements of applicable state securities laws; and (iii) if prior to the Lock-Up Expiration Date, will not result in or require the registration of New Globalstar or any of the New Globalstar's securities for any purpose under federal or state securities laws.

The above restrictions will not apply to the Transfer of Membership Interests (i) by the Debtors pursuant to the Plan; (ii) by New Globalstar to the Debtors or by Thermo to New Globalstar; or (iii) by any Member to such Member's immediate family (or a trust for the benefit of such Member's immediate family) or to an affiliate of such Member.

#### **4. Indebtedness**

For a description of the obligations of New Globalstar under the Thermo DIP Facility and the funding obligations of Thermo related thereto, see Sections VII.B and VII.C of this Disclosure Statement.

### **C. MANAGEMENT OF NEW GLOBALSTAR**

#### **1. New Globalstar Board**

Under the New Globalstar LLC Agreement, the business and affairs of New Globalstar are managed under the direction of the New Globalstar Board. The New Globalstar LLC Agreement initially fixes the number of directors at seven. Six directors are to be designated jointly by Thermo and GS Holdings, and the remaining director is to be designated by Members holding a majority of the Membership Interests other than those held by GS Holdings or Thermo and their affiliates; provided, however, that if at least 50% of the 17.62% Membership Interests available for purchase pursuant to the Series A Rights and the Series B Rights are so purchased, two directors (each a Minority Director) are to be elected by Members holding a majority of the Membership Interests other than those held by GS Holdings or Thermo and their affiliates and the number of directors designated by Thermo and GS Holdings will be reduced to five. The initial Minority Director(s) following the Effective Date will be designated by the Creditors Committee, after consultation with Thermo.

Each director will hold office for one year or until his or her earlier death, bankruptcy, mental incompetence, resignation or removal by the Members entitled to designate such director.

Any vacancy in the New Globalstar Board will be filled by the vote or written consent of the Members entitled to designate the director whose position has been vacated.

The New Globalstar LLC Agreement provides that the New Globalstar Board shall meet not less often than quarterly. New Globalstar Board meetings may be called by the Chairman or any three directors. A majority of the directors then in office (present in person or by telephone) will constitute a quorum for the conduct of business at any meeting of the New Globalstar Board.

The directors will not receive any fees or other compensation for their service as directors, but may receive compensation as the New Globalstar Board may approve for service in other capacities.

#### **2. Officers**

The New Globalstar Board has the authority to appoint a Chairman and President to serve as officers of New Globalstar. The New Globalstar Board may also appoint one or more Vice Presidents, a Treasurer, a Secretary, one or more Assistant Secretaries and one or more assistant Treasurers. Officers will serve at the pleasure of the New Globalstar Board.

### **3. Exculpation**

Except as required by law, no director will be personally liable for any debt, obligation or liability of New Globalstar, whether arising in contract, tort or otherwise solely by reason of being a director of New Globalstar. Neither New Globalstar nor any Member or officer will have any right, claim or Cause of Action against any director arising out of such director's having acted or failed to act in accordance with such director's rights or obligations under the New Globalstar LLC Agreement.

### **4. Indemnification**

To the fullest extent permitted by law, New Globalstar will indemnify any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative and whether or not the action is by or in the right of New Globalstar, by reason of the fact that he or she is or was a director, Member, officer, employee or agent of New Globalstar, or is or was serving at the request of New Globalstar as a director, Member, shareholder, officer, partner, trustee, employee or agent of any other person, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with the action, suit or proceeding. Notwithstanding the foregoing, however, no person who is the claimant under any action, suit or proceeding described in the previous sentence will be entitled to indemnification by New Globalstar.

Notwithstanding any limitation required by the Delaware Act, to the extent that a person identified in the preceding paragraph has been substantially successful on the merits or otherwise in defense of any action, suit or proceeding described therein, or in defense of any claim, issue or matter therein, he or she must be indemnified by New Globalstar against expenses, including attorneys' fees, actually and reasonably incurred by him or her in connection with the defense.

The expenses of the directors, Members and officers incurred in defending a civil or criminal action, suit or proceeding must be paid by New Globalstar as they are incurred and in advance of the final disposition of the action, suit or proceeding, upon receipt of an undertaking by or on behalf of the directors, Member or officer to repay the amount if it is ultimately determined by a court of competent jurisdiction that he or she is not entitled to be indemnified by New Globalstar. These provisions do not affect any rights to advancement of expenses to which personnel of New Globalstar other than the directors or officers may be entitled under any contract or otherwise.

The indemnification and advancement of expenses authorized in or ordered by a court pursuant to the foregoing: (a) does not exclude any other rights to which a person seeking indemnification or advancement of expenses may be entitled under the New Globalstar Certificate or the New Globalstar LLC Agreement for either an action in his or her official capacity or an action in another capacity while holding his or her office, except that indemnification, unless ordered by a court or for the advancement of expenses as described above may not be made to or on behalf of any Member, director, officer, employee or agent if a final adjudication establishes that his or her acts or omissions involved intentional misconduct, fraud or a knowing violation of the law and was material to the Cause of Action; and (b) continues for a person who has ceased to be a Member, director, officer, employee or agent and inured to the benefit of his or her heirs, executors and administrators.

### **5. Insurance and Other Financial Arrangements**

New Globalstar may also purchase and maintain insurance or make other financial arrangements on behalf of any person who is or was a Member, director, officer, employee or agent of New Globalstar, or is or was serving at the request of New Globalstar as a Member, shareholder, director, officer, partner, trustee, employee or agent of any other person, joint venture, trust or other enterprise for any liability asserted against him or her and liability and expenses incurred by him or her in his or her capacity as a Member, director, officer, employee or agent, or arising out of his or her status as such, whether or not New Globalstar has the authority to indemnify him or her against such liability and expenses.

No such financial arrangement may provide protection for a person adjudged by a court of competent jurisdiction to be liable for intentional misconduct, fraud or a knowing violation of law, except with respect to the advancement of expenses or indemnification ordered by a court.

**D. MINORITY PROTECTIONS**

**1. Certain Activities Requiring Supermajority Member Vote**

The New Globalstar LLC Agreement provides that without the prior affirmative vote or written consent of Members holding at least 75% of the Membership Interests of New Globalstar, New Globalstar may not:

- ?? Enter into any one or more agreements with Thermo or any of its affiliates on terms less favorable to New Globalstar than those that would result from arms-length negotiation between unaffiliated parties;
- ?? Terminate, modify or agree to modify the obligations of Thermo to invest \$43.0 million in New Globalstar;
- ?? Terminate, materially modify or agree to materially modify the Lease Agreement;
- ?? Until such time as Thermo has satisfied its obligations to invest \$43.0 million in New Globalstar, agree to or enter into (except in connection with a conversion to corporate form) (a) any sale or exclusive license of substantially all the assets of New Globalstar, (b) any merger, consolidation or other business combination in which New Globalstar is not the surviving entity, or (c) any liquidation or dissolution of New Globalstar; or
- ?? Until the Lock-Up Expiration Date, agree to or enter into any sale or exclusive license of substantially all the licenses issued to Globalstar, LQP or any of their subsidiaries by the FCC.

**2. Preemptive Rights**

The New Globalstar LLC Agreement will provide that subject to certain limitations, each Member will have a preemptive right (the "Preemptive Right") with respect to the issuance and sale by New Globalstar of additional Membership Interests ("Preemptive Securities").

At least 30 days prior to the sale of Preemptive Securities, New Globalstar must deliver a written notice (a "Sale Notice") to each Member setting forth (a) the number of Preemptive Securities to be sold, (b) the price for which and other terms and conditions upon which such Preemptive Securities are to be sold, and (c) all written information distributed to offerees of such Preemptive Securities, together with an offer from New Globalstar to issue and sell to each Member, at the same price per Preemptive Security and on the same other terms and conditions set forth in the Sale Notice, the number of additional Membership Interests necessary so that the Member's Membership Interest immediately after the issuance of the Preemptive Securities is not less than the Member's Membership Interest immediately prior to such issuance.

The Preemptive Right will not apply to any issuance or sale of Preemptive Securities that are issued:

- ?? In connection with the QUALCOMM Agreements (provided that if New Globalstar issues Membership Interests in connection with the QUALCOMM Agreements exceeding a 4% Membership Interest in the aggregate, the effect of the issuance of such Membership Interests to the extent they exceed 4% will be to reduce only the Membership Interest of Thermo and not the Membership Interest of any other member; if fewer than 28,500 phones are delivered to New Globalstar in connection with such QUALCOMM Agreements, the 4% referred to previous sentence will be reduced to the percentage equal to the product of 4% and the ratio the number of phones delivered to

New Globalstar bears to 28,500; thus, if QUALCOMM delivers 14,250 phones, then the percentage would be 2%, with such percentage computed by multiplying 4% by the quotient obtained by dividing 14,250 by 28,500);

- ?? In connection with the initial capital contributions;
- ?? In connection with the exercise of Series A Rights and Series B Rights;
- ?? Upon the exercise or conversion of any warrant, option or convertible security issued by New Globalstar in a transaction subject to a Preemptive Right or covered by an exception therefrom;
- ?? To any employee, director or consultant of New Globalstar pursuant to an employee incentive plan or similar arrangement approved by the New Globalstar Board;
- ?? In connection with a transaction in which New Globalstar acquires all or substantially all of the assets of another person or a majority of the outstanding equity of another person, if such transaction is approved by the New Globalstar Board;
- ?? In connection with any borrowing from financial institutions or other persons by New Globalstar, provided that the value of the equity issued in connection with such borrowing (calculated assuming an equity value equal to the implied equity value of the Series A Rights) does not exceed 10% of the principal amount borrowed and such transaction is approved by the New Globalstar Board;
- ?? To a lessor, guarantor or other person in connection with obtaining lease financing if such issuance is approved by the New Globalstar Board; or
- ?? To a vendor, business partner or other person in a similar commercial situation with New Globalstar (other than QUALCOMM) if such issuance is approved by the New Globalstar Board.

Prior to the Lock-Up Expiration Date, the Preemptive Rights will apply to a Member only if such Member (or if such Member is not the beneficial owner of such Membership Interest, such beneficial owner) is an "accredited investor" as such term is defined in Regulation D under the Securities Act. Following the Lock-Up Expiration Date, the Preemptive Rights will apply to a Member (or if such Member is not the beneficial owner of such Membership Interest, such beneficial owner) only if such Member (or if such Member is not the beneficial owner of such Membership Interest, such beneficial owner) is an "accredited investor" and holds at least a 5% Membership Interest on the date of the delivery of the Sale Notice by New Globalstar.

### **3. Tag Along Rights**

The New Globalstar LLC Agreement provides that if Members holding a majority of the Membership Interests agree to a sale or exchange of part or all of such Membership Interests or similar transaction involving New Globalstar, then such Members must promptly give the other Members (the "Minority Members") written notice of the proposed transaction (the "Tag Along Notice") specifying (a) the identity of the other parties to the proposed transaction; (b) the price, including a detailed description of the terms of payment and any non-cash consideration to be received; and (c) the proposed time and date of the closing of the transaction.

The New Globalstar LLC Agreement further provides that each Minority Member will have the right to have its Membership Interest transferred in the proposed transaction at the same price and otherwise on the terms and conditions set forth in the Tag Along Notice (the "Tag Along Right") by sending written notice of the exercise of its Tag Along Right to New Globalstar within 30 days of receipt of the Tag Along Notice. If the proposed transferee of Membership Interests does not wish to purchase all of the Membership Interests which the participating Members wish to transfer, then each participating Member will be entitled to sell its pro rata portion of such

Member's Membership Interests. If the proposed transferee desires to purchase a greater amount of Membership Interests than the participating Members desire to sell, the Members participating in the sale will be entitled to sell additional Membership Interests to make up this difference (on a pro-rata basis as determined by the New Globalstar Board in good faith).

Under the New Globalstar LLC Agreement, following the Lock-Up Expiration Date, the Tag Along Rights will apply to a Member only if such member holds at least a 5% Membership Interest on the date of the delivery of a Tag Along Notice.

#### **4. Amendment of Minority Protections**

The New Globalstar LLC Agreement generally provides that, subject to the Delaware Act, the New Globalstar Certificate or the New Globalstar LLC Agreement may be amended by the New Globalstar Board. However, the amendment of specified provisions that provide protection to the minority Members will require either (a) the unanimous consent of the New Globalstar Board or (b) the consent of both (i) Thermo and (ii) Members holding a majority of the Membership Interests other than those held by GS Holdings or Thermo or their affiliates.

#### **E. CHANGE TO CORPORATE FORM**

The New Globalstar LLC Agreement provides that if the New Globalstar Board determines that it is desirable or helpful for the business of New Globalstar to be conducted in a corporate rather than in a limited liability company form, the New Globalstar Board may incorporate New Globalstar or take such other action as it may deem advisable, including, without limitation, dissolving New Globalstar. In any event, on or prior to the Lock-Up Expiration Date (or, if earlier, the effective date of a registration statement under the Securities Act with respect to any registered offering by New Globalstar of its equity securities), New Globalstar will incorporate New Globalstar as a corporation under Delaware law. In connection with any such incorporation of New Globalstar, the Members will receive, in exchange for their Membership Interests, shares of capital stock of such corporation having the same relative rights and preferences as to dividends and distributions and the same voting and transfer rights, subject in each case to any modifications required solely as a result of the conversion to corporate form.

### **IX. ADDITIONAL INFORMATION CONCERNING THE PLAN**

#### **A. LEGAL EFFECTS OF THE PLAN**

##### **1. Dissolution of the Debtors**

As of June 24, 2003, the holders of Globalstar's ordinary partnership interests consented to the sale of Globalstar's assets to New Globalstar and to the dissolution or liquidation of the Partnership, with holders of approximately 94% of the Globalstar ordinary partnership interests voting in favor and the remainder not voted.

On or promptly after the Effective Date each Debtor other than GCC, and at such later date as GCC dissolves, GCC, will be deemed dissolved for all purposes without the necessity for any other or further actions to be taken or payments to be made in connection therewith, and each such Debtor will file with the Office of the Secretary of State for Delaware a certificate of dissolution, which may be executed by an officer of such Debtor without the need for approval by the General Partners' Committee, its Board of Directors or its managers, as the case may be, or by its equity holders. From and after the Effective Date, no Debtor will be required to file any document, or take any other action, or obtain any approval from the General Partners' Committee, its Board of Directors, or its managers, as the case may be, or from its equity holders, to withdraw its business operation from any states in which such Debtor previously conducted its business operations or take any other steps to accomplish such purposes.

From and after the Effective Date, GCC will continue in existence for the purpose of (i) winding-down its affairs, (ii) administering the Plan and taking such actions as are necessary to consummate the Plan, and (iii) filing appropriate tax returns. From and after the Effective Date, the then current directors and officers of GCC will continue to serve in such capacities (and all bylaws, articles or certificates of incorporation, and related corporate documents will be deemed amended by the Plan to permit their continued service) through the earlier of the date

GCC is dissolved in accordance with Section IV.A.1(a) of the Plan and the date such director or officer resigns, is terminated or is otherwise unable to serve; provided, however, that, in the event that any director or officer of GCC resigns, is terminated or is otherwise unable to serve as a director or officer, then the Creditors Committee or its designee will have the right to select a successor who will be appointed a director or officer of GCC, and will serve in such capacity until GCC is dissolved in accordance with Section IV.A.1(a) of the Plan or until such director resigns, is replaced or is terminated. After the Effective Date, any officer or director of GCC may be terminated "for cause" (including fraud, negligence or misconduct) by GCC. From and after the Effective Date, the director and officers of GCC will be authorized to operate GCC for the purposes set forth in Section IV.A.1(c) of the Plan without the need for any further notice to or approval by the stockholder of GCC. GCC, in its discretion, may dissolve prior to the resolution of all Disputed Claims and the closing of the Chapter 11 Case.

Immediately prior to the dissolution of each Debtor other than GCC, any property of such Debtor not previously transferred, or to be transferred in connection with the Plan to another Entity will be, at the option of the Debtors, transferred to New Globalstar or deemed abandoned; provided that (i) cash in an amount necessary to make distributions under the Plan (including reserves for Administrative Claims and Disputed Claims) will be transferred to the Disbursing Agent and the Disputed Claims Reserve, as provided for by the Plan; and (ii) the Interests of the Debtors (other than GCC) in the Non-Debtor Subsidiaries or any other entity not previously transferred to New Globalstar will be transferred to GCC. Any Claims or Causes of Action not transferred to New Globalstar pursuant to the Asset Contribution Agreement will be transferred to the Disbursing Agent for purposes of effectuating a setoff as contemplated by Section VI.H of the Plan and the recoveries from or proceeds of any such Claim or Cause of Action (after giving effect to such setoff) will be transferred to New Globalstar.

## **2. Disposition of the GSH Interest**

On the Effective Date, the Debtors will transfer the GSH Interest to the Disbursing Agent. The Disbursing Agent will hold the GSH Interest for the benefit of the holders of Allowed General Unsecured Claims, Allowed Loral Claims, and, to the holders of Allowed Commitment Fee Claims to the extent such holders are entitled to Creditor DIP Facility Additional Consideration and will use commercially reasonable efforts to sell the GSH Interest. If the proceeds from the sale of the GSH Interest (*i.e.*, the GSHI Proceeds) are in excess of \$100,000, the Disbursing Agent will place such proceeds in the Disputed Claims Reserve for distribution in accordance with Sections III.B.4(c) and III.B.5 (and, if applicable, Section III.A.1(f)) of the Plan. If the GSHI Proceeds are equal to, or less than, \$100,000, the Disbursing Agent will distribute such proceeds to a charity selected by the then-longest serving director of New Globalstar selected by the holders of Membership Interests other than Thermo and its affiliates, and if there is no such director, to a charitable organization selected by the chief executive officer of New Globalstar.

## **3. Accounts**

The Disbursing Agent may establish one or more interest-bearing accounts as they determine may be necessary or appropriate to effectuate the provisions of the Plan, and may invest all or a portion of the cash, (i) in tax exempt instruments, (ii) as permitted by section 345 of the Bankruptcy Code, or (iii) as otherwise authorized by the Bankruptcy Court.

## **4. Transfer of Remaining Cash to New Globalstar**

After all distributions under the Plan have been made, the Chapter 11 Case has been closed, and all obligations of the Debtors and Disbursing Agent arising after the Confirmation Date have been satisfied in full, the Disbursing Agent will transfer all remaining cash to New Globalstar as contemplated by the Asset Contribution Agreement.

## **5. Assignment of GlobalTel C.J.S.C. Interest**

On the Effective Date, by virtue of: (a) the Order approving the Loral Settlement Agreement; (b) Loral having the beneficial interest in the 49% of the equity of GlobalTel C.J.S.C. now held by the Debtors; and (c) the dissolution of the applicable Debtors or Non-Debtor Subsidiaries pursuant to the Plan, title to the equity interests in

GlobalTel C.J.S.C. held by the Debtors or the Non-Debtor Subsidiaries shall irrevocably pass to Loral or its affiliate designee (which shall be designated by Loral no later than 10 days prior to the Confirmation Hearing) such that Loral or such affiliate designee shall be the Debtors' legal successor with respect to the Debtors' or Non-Debtor Subsidiaries' interest in the equity interest in GlobalTel C.J.S.C. The Debtors shall execute and provide to Loral any documents reasonably requested by Loral to evidence such result.

## 6. Preservation of Rights of Action

### a. Preservation of Rights of Action

Except as otherwise provided in Article XII of the Plan, in accordance with section 1123(b)(3)(B) of the Bankruptcy Code, from and after the Effective Date, and as contemplated by the Asset Contribution Agreement, the Debtors will transfer to New Globalstar, and New Globalstar will have and may enforce, any and all Causes of Action that the Debtors may hold against any Entity, including actions for equitable subordination and recharacterization of Claims against any Entity, to the extent not released pursuant to Section XII.E.3 of the Plan. New Globalstar may pursue such retained Causes of Action as appropriate, in its discretion. Notwithstanding the foregoing, no Cause of Action may be asserted against any Entity released pursuant to the Plan, the Loral Settlement Agreement, the QUALCOMM Settlement Agreement, and/or in any contract, instrument, release or other agreement approved by the Court or entered into after the Effective Date.

## 7. Injunctions, Indemnity and Releases

If you are the holder of a Claim against or Interest in the Debtors, the Plan provides that you will be releasing any Claims that you may have against the Debtors, the Non-Debtor Subsidiaries, any member of the Creditors Committee, GTL, the Loral Entities, QUALCOMM, the General Partners' Committee Releasees, and any Representatives of any of the foregoing, from all Claims or Causes of Action directly or indirectly relating to or concerning the Debtors. The Plan provides for this release whether or not you vote to accept the Plan; except that the you will not be releasing claims against any entity for their fiduciary obligations, if any, under Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and if you are a holder of a Securities Litigation Claim and do not hold a General Unsecured Claim, you will not be releasing Securities Litigation Claims against any entity named in the Securities Class Action to the extent such Claims are asserted in the Securities Class Action. **If you hold a Securities Litigation Claim and a General Unsecured Claim, and you vote in favor of the Plan or if all holders of General Unsecured Claims are bound to the Third Party Release, your Securities Litigation Claim will be released.**

The Plan further provides that you will be releasing any Claims that you may have against LGP (Bermuda) Ltd, Loral/QUALCOMM Satellite Services, L.P., Loral/QUALCOMM Partnership, L.P. and Loral General Partner, Inc. (*i.e.*, the GP Debtors) to the extent based on any GP Debtor being a direct or indirect general partner of the Debtors. The Plan provides for this release whether or not you vote to accept the Plan, except that the you will not be releasing claims against any entity for their fiduciary obligations, if any, with respect to the Loral Pension Plan.

In addition, the Plan permanently enjoins you from prosecuting any of the released actions. The Plan also permanently enjoins you from, among other things, prosecuting such Claims or Causes of Action against New Globalstar.

The Plan provides for holders of Allowed General Unsecured Claims in Class 4 who are bound by the Third Party Release to receive their pro rata share of the Standard Release-Based Consideration, and if a Securities Litigation Settlement Event does not occur, their pro rata share of the Supplemental Release-Based Consideration. The Plan provides for all creditors and interest holders to release the Loral Entities, whether or not such creditor or interest holder consents to the Third Party Release, except as described above with respect to fiduciary claims related to the Loral Pension Plan or Securities Litigation Claims by entities that do not hold General Unsecured Claims.

In the event that the Bankruptcy Court approves this Third Party Release, all holders of Allowed General Unsecured Claims in Class 4 will receive their pro rata share of the Release-Based Consideration. If the Bankruptcy

Court does not approve the Third Party Release with respect to creditors who do not vote to accept the Plan, only holders of General Unsecured Claims voting to accept the Plan will be eligible to receive Release-Based Consideration.

The Plan provides for all creditors and interest holders to release the Loral Entities, whether or not such creditor or interest holder agrees to be voluntarily bound by the Third Party Release, except as described above with respect to fiduciary claims related to the Loral Pension Plan or Securities Litigation Claims by entities that do not hold General Unsecured Claims.

See Section X.D.1.c of this Disclosure Statement for more information about the timing of distribution of Release-Based Consideration.

More detailed information about these releases and injunctions is set forth below.

**a. General Releases by the Non-Debtor Subsidiaries, and Holders of Claims against and Interests in the Debtors, the Non-Debtor Subsidiaries, New Globalstar and its subsidiaries, members of the Creditors Committee, GTL, and Representatives of the Foregoing**

Each (a) Non-Debtor Subsidiary, (b) holder of (i) a Claim (whether or not allowed) against or Interest in a Debtor or (ii) a GLP Partnership Interest and (c) Person (i) voting to accept the Plan on any Ballot or (ii) participating in exchanges and distributions under or pursuant to the Plan, will release and discharge, absolutely, unconditionally, irrevocably and forever, any and all Claims or Causes of Action arising from the beginning of time through the Effective Date against (i) the Debtors, (ii) the Non-Debtor Subsidiaries, (iii) New Globalstar and its subsidiaries, (iv) the Creditors Committee or any member thereof (solely in its capacity as such), (v) GTL, and (vi) the Representatives of any of the foregoing, in any way directly or indirectly relating to or concerning the Debtors, including their management and operations, the Chapter 11 Cases or the Plan; provided, however, that the foregoing will not operate as a waiver or release from, subject to applicable rights of offset, if any, commercial claims, loans and trade obligations owed to the Debtors or the Non-Debtor Subsidiaries by such Entities. Any Entity acquiring a Claim from an Entity that is bound by the release set forth in Section XII.A of the Plan will be bound by such release as if such acquiring Entity had agreed to be bound to the release with respect to such acquired Claim or Interest. The releases set forth in the Plan shall not apply to (i) Claims or Causes of Action against any entity for their fiduciary obligations, if any, under ERISA, and (ii) Securities Litigation Claims against any Securities Litigation Defendant to the extent such Claims are asserted in the Securities Class Action and the holder of any such Securities Litigation Claim is not also a holder of a General Unsecured Claim; provided, however, that such Securities Litigation Claims against GLP or GCC shall be released except to the extent of the treatment provided to such Claims under the Plan.

**b. General Releases by Non-Debtor Subsidiaries and Holders of Claims Against and Interests in the Debtors of the Loral Entities and General Partners' Committee Releasees**

Each (a) Non-Debtor Subsidiary, (b) holder of (i) a Claim (whether or not allowed) against or Interest in a Debtor or (ii) a GLP Partnership Interest, or (c) Person (i) voting to accept the Plan on any Ballot or (ii) participating in exchanges and distributions under or pursuant to the Plan will release and discharge, absolutely, unconditionally, irrevocably and forever, any Claim or Cause of Action arising from the beginning of time through the Confirmation Date against the Loral Entities or any Representative thereof, or the General Partners' Committee Releasees, in any way directly or indirectly relating to or concerning the Debtors, including their management and operations, the Chapter 11 Cases or the Plan (other than: (i) Claims arising after the Confirmation Date under any Assumed Contract; (ii) Claims for all sums due in connection with ordinary course post-petition commercial transactions between any Loral Entity and any Globalstar Entity; and/or (iii) Claims arising under the Loral Settlement Agreement). Any Entity acquiring a Claim from an Entity that is bound by the Third Party Release will be bound by such Third Party Release as if such acquiring Entity had agreed to be bound to the Third Party Release with respect to such acquired Claim or Interest. The releases set forth in this Section IX.A.7.b shall not apply to (i) Claims

or Causes of Action against any entity for their fiduciary obligations, if any, under ERISA, and (ii) Securities Litigation Claims against any Securities Litigation Defendant to the extent such Claims are asserted in the Securities Class Action and the holder of any such Securities Litigation Claim is not also a holder of a General Unsecured Claim.

**c. General Releases by Non-Debtor Subsidiaries and Holders of Claims against and Interests in the Debtors of the QUALCOMM Entities and Related Parties**

Each (a) Non-Debtor Subsidiary (b) holder of (i) a Claim (whether or not allowed) against or Interest in a Debtor or (ii) a GLP Partnership Interest, or (c) Person (i) voting to accept the Plan on any Ballot or (ii) participating in exchanges and distributions under or pursuant to the Plan will release and discharge, absolutely, unconditionally, irrevocably and forever, any Claim or Cause of Action arising from the beginning of time through the Confirmation Date against the QUALCOMM Entities, their subsidiaries, and the representatives of the foregoing in any way directly or indirectly relating to or concerning the Debtors, including their management and operations, the Chapter 11 Cases or the Plan (other than Claims or Causes of Action arising under the QUALCOMM Settlement Agreement) or Claims or Causes of Action that were not released pursuant to the QUALCOMM Settlement Agreement. Any Entity acquiring a Claim from an Entity that is bound by the release set forth in Section XII.C of the Plan will be bound by such release as if such acquiring Entity had agreed to be bound to the release with respect to such acquired Claim or Interest.

The release set forth in the Plan shall not apply to Claims or Causes of Action against any entity for their fiduciary obligations, if any, under ERISA.

**d. General Releases by Non-Debtor Subsidiaries, and Holders of Claims against and Interests in the Debtors of the GP Debtors**

Each (a) Non-Debtor Subsidiary (b) holder of (i) a Claim (whether or not allowed) against or Interest in a Debtor or (ii) a GLP Partnership Interest, or (c) Person (i) voting to accept the Plan on any Ballot or (ii) participating in exchanges and distributions under or pursuant to the Plan will release and discharge, absolutely, unconditionally, irrevocably and forever, any Claim or Cause of Action arising from the beginning of time through the Confirmation Date against the GP Debtors to the extent based on any GP Debtor being a direct or indirect general partner of the Debtors. Any Entity acquiring a Claim from an Entity that is bound by the release set forth in Section XII.D of the Plan will be bound by such release as if such acquiring Entity had agreed to be bound to the release with respect to such acquired Claim or Interest. The release set forth in the Plan shall not apply to (i) Claims or Causes of Action against any entity for their fiduciary obligations, if any, under ERISA and (ii) Securities Litigation Claims against any Securities Litigation Defendant to the extent such Claims are asserted in the Securities Class Action and the holder of any such Securities Litigation Claim is not also a holder of a General Unsecured Claim.

**e. Release by the Debtors of their Representatives, the Creditors Committee and its Representatives, the Loral Entities and their Representatives, the General Partners' Committee Members, the GP Debtors, and QUALCOMM and its Representatives**

(i) Each Debtor hereby absolutely, unconditionally, irrevocably and forever releases and discharges its Representatives from any Claim and/or Cause of Action, arising from the beginning of time through the Confirmation Date, in any way directly or indirectly relating to or concerning the Debtors, including their management and operations, including their management and operations, the Chapter 11 Cases or the Plan, provided, however, that the foregoing will not operate as a waiver or release (i) from, subject to applicable rights of offset, if any, commercial claims, loans and trade obligations owed to the Debtors and (ii) from any pending Claim or Cause of Action.

(ii) Each Debtor hereby absolutely, unconditionally, irrevocably and forever releases and discharges the Creditors Committee and its Representatives from any Claim and/or Cause of Action, arising from the beginning of time through the Confirmation Date, in any way directly or indirectly relating to or

concerning the Debtors, the Chapter 11 Cases or the Plan, provided, however, that the foregoing will not operate as a waiver or release from, subject to applicable rights of offset, if any, commercial claims, loans and trade obligations owed to the Debtors.

(iii) The Plan ratifies the Loral Settlement Agreement and the releases granted by the Debtors pursuant to the Loral Settlement Agreement are extended to cover the period from April 14, 2003 through the Confirmation Date, correspondingly the Loral Entities and the GP Debtors shall be deemed to have ratified the Loral Settlement Agreement and the releases granted therein as of the Confirmation Date.

(iv) The Plan ratifies the QUALCOMM Settlement Agreement and the releases granted by the Debtors pursuant to the QUALCOMM Agreement are extended to cover the period from the date of approval thereof through the Confirmation Date, in each case subject to QUALCOMM executing a ratification thereof as of the Confirmation Date.

**f. Exculpation**

(i) None of the Debtors, their officers, members of the General Partners' Committee, members of the Creditors Committee (solely in their capacity as such), or the Representatives of any of the foregoing in such capacity, will have or incur any liability to any Entity whatsoever, including any holder of any Claim (whether or not allowed) or Interests, or any Entity participating in exchanges and distributions under or pursuant to the Plan, for any act or omission in connection with, or arising out of, the Chapter 11 Cases, the formulation, preparation, dissemination or confirmation of the Plan, the consummation of the Plan or the administration of the Plan, the Disputed Claims Reserve, or property to be distributed pursuant to the Plan, or any contract, instrument, release or other agreement or document created or entered into, pursuant to or in connection with the Plan; provided, however, that the foregoing provisions will have no effect on: (i) the liability of any Entity that would otherwise result from the failure to perform or pay any obligation or liability under the Plan or any contract, instrument, release or other agreement or document to be entered into or delivered in connection with the Plan; or (ii) the liability of any Entity that would otherwise result from any such act or omission to the extent that such act or omission is determined in a Final Order to have constituted gross negligence, fraud, or willful misconduct. The release set forth herein shall not apply to Claims or Causes of Action against any entity for their fiduciary obligations, if any, under ERISA.

(ii) In addition to the foregoing (and notwithstanding the proviso in Section XII.F of the Plan), the directors and officers of GCC serving after the Effective Date will incur no personal liability to any Entity for any act or omission in connection with, or arising out of, their administration of the Plan, or the Disputed Claims Reserve, or any other act or omission in connection with the operation of GCC as set forth in Section IV.A.1(c) of the Plan; provided, that, such directors and officers may be found to be liable for acts or omissions resulting from gross negligence, fraud or willful misconduct. The Bankruptcy Court will retain exclusive jurisdiction over any action or proceeding commenced against the directors and officers of GCC serving from and after the Effective Date in connection with, arising out of, or related to their service as directors and officers of GCC from and after the Effective Date. No action or proceeding may be commenced against the directors and officers of GCC serving from and after the Effective Date in connection with, arising out of, or related to their service as directors and officers of GCC from and after the Effective Date without the prior approval of the Bankruptcy Court.

**g. Injunction and Stays**

(i) General Injunction Related to Parties Released Pursuant to Plan

Except as otherwise provided in the Plan or the Confirmation Order, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Entities who have held, hold or may hold any Claims and/or Causes of Action against any of the Entities and Persons released pursuant to the Plan (including Sections XII.A, XII.B, XII.C, XII.D, XII.E and XII.F of the Plan or pursuant to any settlement authorized by the Plan) are permanently enjoined from and after the Confirmation Date from the prosecution, whether directly, indirectly, derivatively or otherwise, of any such Claims and/or Causes of Action so released, discharged or terminated pursuant to the Plan.

(ii) Injunction Relating to New Globalstar

Except as otherwise provided in the Plan or the Confirmation Order or with respect to any obligation expressly assumed by New Globalstar pursuant to the Asset Contribution Agreement, as of the Confirmation Date, but subject to the occurrence of the Effective Date, all Entities who have held, hold or may hold Claims (whether or not allowed) against or Interests in any of the Debtors or the Estates or GLP Partnership Interests are, with respect to any such Claims (whether or not allowed) or Interests or GLP Partnership Interests, permanently enjoined from and after the Confirmation Date from: (a) commencing, conducting or continuing in any manner, directly or indirectly, any suit, action or other proceeding of any kind (including any proceeding in a judicial, arbitral, administrative or other forum) against or affecting New Globalstar, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, New Globalstar or any property of any such transferee or successor; (b) enforcing, levying, attaching (including any pre-judgment attachment), collecting or otherwise recovering by any manner or means, whether directly or indirectly, any judgment, award, decree or order against New Globalstar or any of its property, or any direct or indirect transferee of any property of, or direct or indirect successor in interest to, New Globalstar, or any property of any such transferee or successor; (c) creating, perfecting or otherwise enforcing in any manner, directly or indirectly, any encumbrance of any kind against New Globalstar or any of its property, or any direct or indirect transferee of any property of, or successor in interest to, New Globalstar; (d) asserting any right of setoff, subrogation or recoupment of any kind, directly or indirectly, against any obligation due New Globalstar, any of its property, or any direct or indirect transferee of any property of, or successor in interest to, New Globalstar; and (e) acting or proceeding in any manner, in any place whatsoever, that does not conform to or comply with the provisions of the Plan to the full extent permitted by applicable law, in each case, on account of such Claim or Interest; provided, however, that nothing contained in Section XII.G.2 of the Plan will operate as a release from, or operate as an injunction with respect to, Claims or Causes of Action against Non Globalstar in connection with the consummation of the transactions contemplated by the Assets Contribution Agreement or with respect to the New Globalstar LLC Agreement or for fiduciary obligations, if any, under ERISA.

(iii) Continuation of Stays and Injunctions

Except for the permanent injunctions provided in Sections XII.G.1 and XII.G.2 of the Plan, all injunctions or stays (including those enjoining the prosecution of Claims of or Causes of Action belonging to the Debtors or the Estates) provided for in the Chapter 11 Cases pursuant to section 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date, will remain in full force and effect until the dissolution of the Debtors.

(iv) Consent to Injunctions

By accepting distributions pursuant to the Plan, each holder of an Allowed Claim receiving distributions pursuant to the Plan will be deemed to have specifically consented to the injunctions set forth in Section XII.G of the Plan.

(v) Indemnity

Nothing contained in the Plan will prohibit or in any manner limit the right or ability of any of the Debtors' officers, directors and members of the General Partners' Committee to enforce his, her, their or its rights against the insurer under any and all applicable policies of insurance (whether such policies were arranged and paid for by the Debtors or by any Entity or otherwise) and any and all such rights will be and hereby are expressly preserved (i) to the extent of available insurance coverage and (ii) for purposes of defense and offset against any claims asserted against such officers, directors and members of the General Partners' Committee; provided, however, that such directors, officers and members of the General Partners' Committee will have no right to any affirmative recovery from the Debtors on account of indemnification Claims that are not Allowed Claims as of the Effective Date.

**h. Termination of Subordination Rights and Settlement of Related Claims and Controversies**

The classification and manner of satisfying all Claims and Interests under the Plan take into consideration all subordination rights, whether arising under general principles of equitable subordination, contract, section 510 of

the Bankruptcy Code or otherwise, that a holder of a Claim or Interest may have against other Claim or Interest holders with respect to any distribution made pursuant to the Plan.

Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under the Plan, the provisions of the Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the subordination rights that a holder of a Claim may have with respect to any Allowed Claim or any distribution to be made pursuant to the Plan on account of any Allowed Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval, as of the Effective Date, of the compromise or settlement of all such Claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors and their respective property and Claim and Interest holders and is fair, equitable and reasonable.

## **8. Termination of Certain Employee, Retiree and Workers' Compensation Benefits**

### **a. Employee Benefits**

From and after the Effective Date, all existing employee benefit policies, plans and agreements of the Debtors that are not transferred to New Globalstar according to the terms of the Asset Contribution Agreement will be terminated, including:

- ?? Medical, dental, vision, prescription drug, life, travel accident and accidental death and dismemberment insurance;
- ?? Paid leave (which incorporates sick, personal and bereavement leave), short-term disability pay and long-term disability insurance;
- ?? Vacation and holiday leave;
- ?? Bonus and severance programs;
- ?? Tuition assistance policies;
- ?? Savings plan;
- ?? Employee assistance program; and
- ?? Other optional employee paid programs.

Assets in the Loral Retirement Plan will remain in such plan. If the assets and obligations of the plan with respect to Globalstar Pensioners can be severed and assumed by New Globalstar, then, upon such severance, New Globalstar will assume the liabilities of the plan solely with respect to the Globalstar Pensioners and the assets of the plan relating to the Globalstar Pensioners will be transferred to a pension plan maintained by New Globalstar or such other entity as New Globalstar may direct. Employees of the Debtors ceased accruing benefits in the Loral Retirement Plan on the earlier of (i) October 25, 2003 (the date the plan administrator suspended such benefit accruals, as set forth in the notice such plan administrator previously has given to the Debtors' employees) or (ii) the date an employee's employment with the Debtors ceased.

The Debtors have learned that Loral now characterizes the Retirement Plan of Space Systems/Loral, Inc. as two single-employer pension plans. The pension plan for present and former employees of Globalstar is called Retirement Plan of Space Systems/Loral, Inc. Globalstar Component (the "Globalstar Pension Plan"). Globalstar is the contributing sponsor of the Globalstar Pension Plan which is a tax-qualified defined benefit plan, covered by the mandatory pension plan termination insurance program established under ERISA, 29 U.S.C. §§ 1301-1462. The Pension Benefit Guaranty Corporation ("PBGC") is wholly owned United States government corporation, created by ERISA to administer this program. PBGC guarantees the payment of certain pension benefits when a pension plan, covered by Title IV, terminates without sufficient assets to cover its total liabilities for benefits under 29 U.S.C. §

1322. The Debtors expect that, on or as soon as practicable after the Interest Acquisition Date, New Globalstar will assume the obligations under the Globalstar Pension Plan as contemplated by the Asset Contribution Agreement and that New Globalstar will comply with the applicable provisions of ERISA and the Internal Revenue Code.

**b. Retiree Benefits**

Retiree Medical Plan. Prior January 1, 2002, eligible retirees of Globalstar could elect to participate in a medical benefit plan known as the Loral Retiree Medical Plan that was sponsored by Loral. For retirees retiring on or after January 1, 2002, eligible employees could elect to be covered by the Loral Retiree Medical Plan sponsored by Loral to the extent Loral agreed to provide coverage. Globalstar has not maintained its own plan to provide medical benefits for its retirees, although some retirees have continued to be covered under the Loral Retiree Medical Plan sponsored by Loral. Furthermore, Globalstar is entitled, and reserves the right, to terminate its employee or retiree benefit programs at any time, and accordingly has not obligated itself to provide any such benefit for any specified period of time.

Retiree Life Insurance. Retirees of Globalstar participate in an Employee Term Life Insurance Plan offered by Globalstar through Prudential Life Insurance Company. New Globalstar will continue to offer this plan to current retirees. Globalstar reserves the right to terminate its employee or retiree benefit programs at any time, and accordingly has not obligated itself to provide any such benefit for any specified period of time.

Supplemental Executive Retirement Plan. Eligible Retirees of Globalstar participating in the Loral Supplemental Executive Retirement Plan will remain in such plan. New Globalstar will not offer a comparable plan to these former employees of Globalstar.

**c. Workers' Compensation Benefits**

The workers' compensation program of the Debtors maintained by the Debtors, to the extent not assigned to New Globalstar pursuant to the terms and conditions thereof or previously terminated by the Debtors, will be terminated.

**9. Cancellation and Surrender of Instruments, Securities and Other Documentation**

On the Effective Date and concurrently with the applicable distributions made pursuant to Article IV of the Plan, the Senior Notes, the Senior Note Indentures, any vendor financing agreements, any credit facility and any other pre-petition debt instruments will be canceled and of no further force and effect, without any further action on the part of any Debtor; provided, however, that the Senior Note Indenture shall continue in effect for the purpose of allowing the Indenture Trustee to assert a charging lien against distributions to be made to the holders of the Senior Notes under the Plan for payment of any of its fees and expenses which are not paid under Section III.A.1.e. In the event that distributions to the holders of the Senior Notes are not made by the Indenture Trustee, the charging lien of the Indenture Trustee shall attach (to the extent such attachment does not contravene a provision of the New Globalstar LLC Agreement) to distributions in the possession of the Disbursing Agent to be made to the holders of the Senior Notes with respect to the Allowed Senior Note Claims. The GLP Partnership Interests and Interests in the GLP Subsidiary Debtors will be deemed canceled and of no further force and effect when the Debtors are dissolved in accordance with Section IV.A.1 of the Plan. The holders of or parties to such canceled instruments, securities and other documentation will have no rights arising from or relating to such instruments, securities and other documentation or the cancellation thereof, except the rights provided pursuant to the Plan; provided, however, that no distribution under the Plan will be made to or on behalf of any holder of an Allowed Claim evidenced by such canceled instruments or securities unless and until such instruments or securities are received by the applicable Disbursing Agent to the extent required in Section VI.I of the Plan.

**10. Release of Liens**

Except as otherwise provided in the Plan, on the Effective Date and concurrently with the applicable distributions made pursuant to Article IV of the Plan, all mortgages, deeds of trust, liens or other security interests against the property of any Estate will be fully released and discharged.

**11. Effectuating Documents; Further Transactions; Exemption from Certain Transfer Taxes**

The Chief Executive Officer, President, Chief Financial Officer, Treasurer or any Vice President of each Debtor will be authorized to execute, deliver, file or record such contracts, instruments, releases and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of the Plan. The Secretary or any Assistant Secretary of each Debtor will be authorized to certify or attest to any of the foregoing actions. Pursuant to section 1146(c) of the Bankruptcy Code, the following actions taken under, in furtherance of or in connection with, the Plan (including the transfer of assets to New Globalstar) will not be subject to any stamp, real estate, transfer, mortgage recording or other similar tax:

- ?? The issuance, transfer or exchange of securities;
- ?? The making or assignment of any lease or sublease; or
- ?? The making or delivery of any deed, bill of sale, assignment or other instrument of transfer.

**B. TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES**

The Bankruptcy Code grants the Debtors the power, subject to the approval of the Bankruptcy Court, to assume or reject Executory Contracts and Unexpired Leases. If an Executory Contract or Unexpired Lease is rejected, the counter party to the agreement may file a Claim for damages incurred by reason of the rejection. In the case of rejection of leases of real property, such damage Claims are subject to certain limitations imposed by the Bankruptcy Code.

Pursuant to sections 365(a) and 1123(b)(2) of the Bankruptcy Code and Section V.A of the Plan, all Executory Contracts and Unexpired Leases that exist between a Debtor and any person shall be deemed rejected as of the Confirmation Date, except for any Executory Contract or Unexpired Lease (a) that has been assumed or rejected pursuant to an order of the Bankruptcy Court entered prior to the Confirmation Date or (b) as to which a motion for approval of the assumption or rejection of such contract or lease has been filed prior to the Confirmation Hearing.

Claims arising out of the rejection of an Executory Contract or Unexpired Lease pursuant to the Plan must be filed with the Debtors' claims agent, Robert C. Berger & Associates, L.L.C., PMB 1014, 10351 Santa Monica Blvd., Suite 101A, Los Angeles, California 90025, no later than 30 calendar days after the Confirmation Date. All such Claims not filed within such time will be forever barred from assertion against the Debtors' estates.

**C. SUBSTANTIVE CONSOLIDATION OF THE DEBTORS**

Substantive consolidation is an equitable remedy that a bankruptcy court may be asked to apply in cases involving affiliated debtors. Substantive consolidation involves the pooling and merging of the assets and liabilities of the affected debtors. All of the debtors in a substantively consolidated group are treated as if they were a single corporate and economic entity. Consequently, a creditor of one of the substantively consolidated debtors is treated as a creditor of the substantively consolidated group of debtors, and issues of individual corporate ownership of property and individual corporate liability on obligations are ignored.

Substantive consolidation of two or more debtors' estates generally results in (a) the deemed consolidation of the assets and liabilities of the debtors; (b) the deemed elimination of intercompany claims, subsidiary equity or membership interests, multiple and duplicative creditor claims, joint and several liability claims and guarantees; and (c) the payment of allowed claims from a common fund.

It is well established that section 105(a) of the Bankruptcy Code empowers the Bankruptcy Court to authorize substantive consolidation. Although the United States Court of Appeals for the Third Circuit, the circuit in which the Chapter 11 Cases are pending, has not articulated a specific test or standard for evaluating a request for

substantive consolidation, other Circuit Courts of Appeal have developed substantially similar tests for evaluating such requests. See, e.g., *United Sav. Bank v. Augie/Restivo Baking Co. (In re Augie/Restivo Baking Co.)*, 860 F.2d 515 (2d Cir. 1988); *Reider v. F.D.I.C. (In re Reider)*, 31 F.3d 1102 (11<sup>th</sup> Cir. 1994); and *Drabkin v. Midland-Ross Corp. (In re Auto-Train Corp.)*, 810 F.2d 270 (D.C. Cir. 1987). Although phrased differently, such tests identify two general factors that must be evaluated in the context of a substantive consolidation analysis: (1) whether there is a "substantial identity" or an inseparable "interrelationship" or "entanglement" between the debtors to be consolidated; and (2) whether the benefits of consolidation outweigh the harm or prejudice to creditors, if any, including whether individual creditors relied upon the separate identity of one of the entities to be consolidated such that they would be prejudiced by substantive consolidation.

In the Chapter 11 Cases, both of the above-described factors are satisfied. The applicable facts demonstrate a substantial identity and an extensive and inseparable interrelationship and entanglement between and among Globalstar and the other Debtors. For example, the Debtors prepare and include in reports and other documents filed with the SEC consolidated financial statements; and all financial information disseminated to the public, including to customers, suppliers, lenders and credit rating agencies, is prepared and presented on a consolidated basis with Non-Debtor Subsidiaries. The applicable facts also demonstrate that no holders of Allowed Claims will be harmed or prejudiced by virtue of the substantive consolidation of the Debtors. Holders of Claims did not rely upon the separate identity of one or more of the Debtors in extending credit to, or investing in, the Debtors inasmuch as (a) all financial information disseminated by the Debtors was and is prepared and presented on a consolidated basis and (b) substantially all of the Debtors' obligations are, in fact, obligations of Globalstar. Based upon the foregoing, substantive consolidation of the Debtors' estates, for Plan purposes (as set forth below), is warranted and appropriate.

Pursuant to the Confirmation Order, the Bankruptcy Court shall approve the substantive consolidation of the Debtors for the purpose of implementing the Plan, including for purposes of voting, Confirmation and distributions to be made under the Plan. Pursuant to such order:

- ?? All assets and liabilities of the Debtors will be deemed merged;
- ?? All Secondary Liability Claims will be deemed eliminated so that any Claim against any Debtor and any Secondary Liability Claims related thereto will be deemed to be one obligation of the consolidated Debtors; and
- ?? Each and every Claim filed or to be filed in the Chapter 11 Case of any of the Debtors will be deemed filed against the consolidated Debtors and will be deemed one Claim against and a single obligation of the consolidated Debtors.

Such substantive consolidation (other than for the purpose of implementing the Plan) will not affect: (a) the legal and corporate structures of the Debtors; or (b) pre- and post-Effective Date guarantees that are required to be maintained (i) in connection with contracts or leases that were entered into during the Chapter 11 Cases or Executory Contracts and Unexpired Leases that have been or will be assumed or (ii) pursuant to the Plan.

## **D. MISCELLANEOUS PROVISIONS**

### **1. Dissolution of the Creditors Committee**

Except as otherwise provided in the Plan, effective 30 days after the Effective Date if no appeal is pending, the Creditors Committee shall cease to exist, and its members and employees or agents (including, without limitation, attorneys, investment bankers, financial advisors, accountants and other professionals) will be released and discharged from any further authority, duties, responsibilities and obligations relating to, arising from, or in connection with their service on the Creditors Committee. The Creditors Committee will continue to exist after such date solely with respect to (a) applications filed pursuant to sections 330 and 331 of the Bankruptcy Code seeking payment of fees and expenses incurred by any professional, including objections and appeals therefrom, (b) any post-confirmation modifications to, or motions seeking the enforcement of, the Plan or the Confirmation Order and (c) any matters pending as of the Effective Date in the Chapter 11 Cases, until such matters are finally resolved.

## **2. Modification of the Plan**

Subject to the restrictions on modifications set forth in section 1127 of the Bankruptcy Code, upon not less than ten days' prior written notice to the Creditors Committee, the Debtors reserve the right to alter, amend or modify the Plan before its substantial consummation; provided that no alteration, amendment or modification of the Plan that may have a material adverse effect on the rights of the unsecured creditors or that reflects a change in the financial aspects of the transaction contemplated hereby may occur without the written consent of the Creditors Committee until the Creditors Committee is dissolved in accordance with Article XIV.A of the Plan, except that the written consent of the Creditors Committee shall not be required for any alteration, amendment or modification of the Plan that relates in any manner to the Standard Release-Based Consideration or the Supplemental Release-Based Consideration or any dispute with respect thereto.

## **3. Revocation of the Plan**

The Debtors reserve the right to revoke or withdraw the Plan as to any or all of the Debtors prior to the Confirmation Date. If the Debtors revoke or withdraw the Plan as to any or all of the Debtors, or if Confirmation as to any or all of the Debtors does not occur, then, with respect to such Debtors, the Plan will be null and void in all respects, and nothing contained in the Plan will: (1) constitute a waiver or release of any Claims by or against, or any Interests in, such Debtors or (2) prejudice in any manner the rights of any Debtors or any other party.

## **4. Severability of Plan Provisions**

If, prior to Confirmation, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court will have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision then will be applicable as altered or interpreted; provided that any such alteration or interpretation must be in form and substance acceptable to the Debtors and the Creditors Committee (except that any provision in the Confirmation Order relating to the Standard Release-Based Consideration or the Supplemental Release-Based Consideration or any dispute with respect thereto need not be acceptable to the Creditors Committee). Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan will remain in full force and effect and will in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order will constitute a judicial determination and will provide that each term and provision of the Plan, as it may have been altered or interpreted in accordance with the foregoing, is valid and enforceable pursuant to its terms.

# **X. DISTRIBUTIONS UNDER THE PLAN**

## **A. TIMING OF DISTRIBUTIONS**

Pursuant to the Plan, New Globalstar will make distributions of consideration to creditors as promptly as practicable following the occurrence of the Effective Date. The amount and timing of distributions will depend on various factors. For example, no distributions will be on account of a Claim unless and until such Claim is allowed. Release-Based Membership Interests will not be distributed until the earlier of (a) if the Confirmation Order binds the holders of Claims against and Interests in the Debtors to the Third-Party Release in favor of the Loral Entities, the date such order becomes a Final Order and (b) if the Confirmation Order does not bind the holders of Claims against and Interests in the Debtors to the Third Party Release in favor of the Loral Entities, the Quarterly Distribution Date following the deadline to timely submit Release Election Forms. In addition, the consideration likely will be distributed after this because of the right to receive consideration on account of Disputed Claims and Claims likely to accrue after the Confirmation Date. Distribution of Membership Interests resulting from the exercise of the Series A Right and Series B Right will be made as described in the Series A Exercise Notice and the Series B Exercise Notice.

**B. DISTRIBUTIONS FOR CLAIMS ALLOWED AS OF THE EFFECTIVE DATE**

Under the Plan, creditors holding Allowed General Unsecured Claims and Allowed Loral Claims (and, if applicable, Allowed Creditor DIP Additional Consideration Claims) are entitled to receive Membership Interests in New Globalstar. The Membership Interests are uncertificated and, therefore, as a creditor, you will not receive a certificate representing your Membership Interest. The only record of your Membership Interest will be set forth on Schedule 1 of the New Globalstar LLC Agreement. Thus, the distribution of Membership Interests to such holders, and the receipt of such Membership Interests by such holders, means only that a notation of such holder's Membership Interest has been made on Schedule 1 of the New Globalstar LLC Agreement. Although, such holders will not receive any certificate, such holders are to receive, shortly after the Effective Date and each Quarterly Distribution Dates thereafter, a written notice from the Disbursing Agent setting forth the Membership Interests such creditor has received as noted on Schedule 1 of the New Globalstar LLC Agreement. Any creditor who believes it is entitled to receive a Membership Interest, but who has not received such written notice from the Disbursing Agent, should to contact the Disbursing Agent.

In addition, such creditors are also eligible to receive Release-Based Membership Interests if they complete the Release Election Form, and may be eligible to exercise the Series A Right or the Series B Right. The Release Election Form, Series A Exercise Instructions and Series B Exercise Instructions must be timely submitted in accordance with their terms. See Sections X.D.1(c) and VIII.B.2 of this Disclosure Statement. Any creditor who wishes to complete such form or make such exercise, but who has not received such the Release Election Form, Series A Exercise Notice and the Series B Exercise Notice from the Disbursing Agent, should contact the Disbursing Agent.

Distributions of cash or allocations of the Base Creditor Membership Interest to be made on the Effective Date to holders of Claims that are Allowed Claims as of the Effective Date will be deemed made on the Effective Date if made on the Effective Date or as promptly thereafter as practicable, but in any event no later than: (a) 30 days after the Effective Date or (b) such later date when the applicable conditions of Section VI.D.2 of the Plan (regarding undeliverable distributions) or Section VI.I of the Plan (regarding surrender of canceled instruments and securities) are satisfied. For any distribution of Membership Interests to be made pursuant to the Plan (including the distribution of Membership Interests to the Disputed Claims Reserve), the distribution shall be made by an amendment to Schedule 1 of the New Globalstar LLC Agreement. The Disbursing Agent shall coordinate with New Globalstar to amend Schedule 1 of the New Globalstar LLC Agreement as of the date of the initial distribution of Membership Interests, to set forth the distribution of Membership Interests among holders of Allowed Claims pursuant to Sections III.A.1(f), III.B.4 and III.B.5 of the Plan and to the Disputed Claims Reserve.

The Disbursing Agent shall also coordinate with New Globalstar to amend Schedule 1 of the New Globalstar LLC Agreement, as of each Quarterly Distribution Date, to reflect any distribution of Membership Interests to holders of Allowed Claims entitled to receive Membership Interests pursuant to Sections III.B.4 and III.B.5 of the Plan, including distributions to be made pursuant to Section VI.D.1(c) of the Plan (relating to Release-Based Membership Interests), Section VI.D.2(c) of the Plan (relating to undeliverable distributions) and Section VII.C of the Plan (relating to the allowance or disallowance of Disputed Claims).

The Disbursing Agent shall provide written notice to each holder of an Allowed Claim (as of the Distribution Record Date), on the initial date of distribution of Membership Interests or as soon thereafter as is practicable (but not less than five Business Days after such distribution) of the Membership Interest such holder received. On each Quarterly Distribution Date, the Disbursing Agent shall provide written notice to each holder of an Allowed Claim as of such date of the Membership Interest(s) such holders received on the relevant Quarterly Distribution Date, as reflected in an amendment to Schedule 1 of the New Globalstar LLC Agreement. Each such notice also shall set forth such holder's aggregate Membership Interest(s) (expressed as a percentage of all such Membership Interests).

Each holder of an Allowed Claim entitled to receive a distribution of a Membership Interest shall be deemed to have received such Membership Interest upon amendment to Schedule 1 of the New Globalstar LLC Agreement, whether or not such holder has received notice thereof from the Disbursing Agent.

Except as otherwise provided in Section VI.D.1(c)(ii) of the Plan, the initial distribution of Membership Interests and GSHI Proceeds, if any, other than Supplemental Release-Based Consideration, shall be made to holders of Allowed General Unsecured Claims and Allowed Loral Claim, as of the Distribution Record Date, on the Effective Date or as soon thereafter as is practicable. The Membership Interests and GSHI Proceeds, if any, (including Supplemental Release-Based Consideration) not distributed to such holders shall be distributed to the Disputed Claims Reserve.

Distributions on account of Claims that become Allowed Claims after the Effective Date will be made pursuant to Section VII.C.2 of the Plan. Distributions on account of the proceeds of the sale of the GSH Interest, Total Release-Based Consideration or any other Membership Interests will be made in accordance with the provisions governing such distributions (including those set forth in Section VI.A of the Plan).

**C. METHOD OF DISTRIBUTIONS AND COMPENSATION AND REIMBURSEMENT FOR SERVICES RELATED TO DISTRIBUTIONS**

The Disbursing Agent will make all distributions required under the Plan. Each Disbursing Agent will serve without bond, and any Disbursing Agent may employ or contract with other Entities to make or assist in making the distributions required by the Plan. Any Disbursing Agent (other than New Globalstar) providing services related to distributions pursuant to the Plan will receive from New Globalstar, without further Bankruptcy Court approval, reasonable compensation for such services and reimbursement of reasonable out-of-pocket expenses incurred in connection with such services. These payments will be made on terms agreed to with New Globalstar and will not be deducted from distributions to be made pursuant to the Plan to holders of Allowed Claims receiving distributions.

**D. DELIVERY OF DISTRIBUTIONS AND UNDELIVERABLE OR UNCLAIMED DISTRIBUTIONS**

**1. Delivery of Distributions**

**a. Generally**

Except as otherwise provided in Sections VI.D.1 and VI.D.2 of the Plan, distributions to holders of Allowed Claims will be made by a Disbursing Agent: (a) at the addresses set forth on the respective proofs of Claim filed by holders of such Allowed Claims; (b) at the addresses set forth in any written certification of address change delivered to the Disbursing Agent (including pursuant to a letter of transmittal delivered to a Disbursing Agent) after the date of filing of any related proof of Claim; or (c) at the addresses reflected in the applicable Debtor's Schedules if no proof of Claim has been filed and the Disbursing Agent has not received a written notice of a change of address. To effect the distribution of Membership Interests among holders of Allowed Claims entitled to receive such Membership Interests pursuant to the Plan, the Disbursing Agent shall provide the written notice described in Section VI.A of the Plan to each such holder at the address determined by the Disbursing Agent in accordance with the preceding sentences.

**b. Special Provisions for Distributions to Holders of Senior Note Claims**

Subject to the requirements of Sections VI.I and IV.D of the Plan, distributions to holders of Allowed Senior Note Claims will be made by the Disbursing Agent to the DTC Participants as of the Distribution Record Date, as identified on a record holder register to be provided to the Disbursing Agent by the Indenture Trustee as soon as practicable after the Distribution Record Date. This record holder register will provide the name, address and holdings of each respective registered holder of Senior Notes as of the Distribution Record Date. Each entry on the record holder register will be treated as an Allowed Senior Notes Claim for purposes of distributions to be made pursuant to the Plan. The Disbursing Agent and the Indenture Trustee will be authorized and entitled to recognize and deal for all purposes under the Plan with the record holders set forth on the record holder register, and the DTC Participants will be the owners of the Membership Interests distributed pursuant to Section III.B.4 of the Plan.

The distribution of Standard Release-Based Consideration and Supplemental Release-Based Consideration, if applicable, to holders of allowed Senior Note Claims shall be made to the DTC Participants submitting the Ballots for which such consideration is being provided in accordance with Section VI.D.1(c) of the Plan, notwithstanding anything to the contrary contained in the Plan providing for the distribution of consideration to holders of Allowed Claims as of the Distribution Record Date.

**c. Special Provisions Related to Certain Holders Entitled to Standard Release-Based Consideration and Supplemental Release-Based Consideration**

Each holder of an Allowed General Unsecured Claim may be entitled, in certain circumstances, to receive Standard Release-Based Consideration, and Supplemental Release-Based Consideration, if applicable, pursuant to the terms and conditions of Section VI.D.1(c) of the Plan. If the Confirmation Order provides that only holders of General Unsecured Claims who vote to accept the Plan are bound to the Third Party Release in favor of the Loral Entities, the Standard Release-Based Consideration will be distributed only to such holders on a Pro Rata basis (determined only with respect to such holders).

Generally, if the Confirmation Order binds all holders of General Unsecured Claims to the Third Party Release, the initial distribution of Standard Release-Based Consideration will be delayed by approximately ten days to determine whether the Confirmation Order has become a Final Order. If it becomes a Final Order at that time, all holders of General Unsecured Claims will receive their Pro Rata share of the Standard Release-Based Consideration. If the Confirmation Order is not a Final Order, holders of General Unsecured Claims bound by the Third-Party Release will receive their Pro Rata share (determined with respect to all General Unsecured Claims whether or not voting to accept the Plan) and a portion of the Standard Release-Based Consideration will be reserved for holders of such Claims not voting to accept the Plan. If, when the Confirmation Order becomes final, it continues to bind all holders of General Unsecured Claims to the Third Party Release, distributions will be made so that, after giving effect to such distributions, all holders of Allowed General Unsecured Claims have received their Pro Rata share of the Standard Release-Based Consideration. However, if at that time only holders of General Unsecured Claims voting to accept the Plan are bound to such release, then the Standard Release-Based Consideration reserved for holders not voting to accept the Plan will be distributed to holders of such Claims voting to accept the Plan on a Pro Rata basis (determined with respect to such holders voting to accept the Plan).

If the Confirmation Order does not bind all holders of Allowed General Unsecured Claims to the Third Party Release, then each holder of an Allowed General Unsecured Claim voting to accept the Plan shall receive its pro rata share (determined with respect to holders of such claims voting to accept the Plan) of the Standard Release-Based Consideration.

If the Confirmation Order binds all holders of Allowed General Unsecured Claims to the Third Party Release, no distribution of the Standard Release-Based Consideration shall be made before the date that is the Business Day that follows the Business Day that is, or is the first Business Day that follows, the tenth day after entry of the Confirmation Order.

If the Confirmation Order continues to bind all holders of General Unsecured Claims to the Third Party Release when it becomes a Final Order, and it becomes a Final Order on or before the earliest date to make an initial distribution of Standard Release-Based Consideration described in immediately preceding paragraph, each holder of an Allowed General Unsecured Claim shall be entitled to receive, (a) as soon as practicable after such initial distribute date, its Pro Rata share of the Standard Release-Based Membership Interest and (b) its Pro Rata share of the Standard Release-Based GSHI Proceeds, if any.

If the Confirmation Order binds all holders of General Unsecured Claims to the Third Party Release but it has not become a Final Order on or before the earliest date to make an initial distribution of Standard Release-Based Consideration described in second preceding paragraph, above, each holder of an Allowed General Unsecured Claim irrevocably bound by the Third Party Release shall be entitled to receive, (a) as soon as practicable after such initial distribute date, its Pro Rata share of the Standard Release-Based Membership Interest and (b) its Pro Rata share of the Standard Release-Based GSHI Proceeds, if any; provided, however, that in calculating the Pro Rata share of the Standard Release-Based Consideration, the holder of each General Unsecured Claim not then

irrevocably bound by the Third Party Release will also be included in the denominator of the applicable definition of Pro Rata.

If the Confirmation Order continues to bind all holders of General Unsecured Claims against the Debtors to the Third Party Release when it becomes a Final Order, each holder of an Allowed General Unsecured Claim shall be entitled to receive (i) Membership Interests equal to the excess of (a) its Pro Rata share of the Standard Release-Based Membership Interest over (b) the Membership Interests acquired by such holder of an Allowed General Unsecured Claim as described in the immediately preceding paragraph, and (ii) proceeds of the sale of the GSH Interest, if any, equal to the excess of (a) its Pro Rata Share of the Standard Release-Based GSHI Proceeds over (b) the proceeds of the sale of the GSHI Interest acquired by such holder of an Allowed General Unsecured Claim as described in the immediately preceding paragraph.

If the Confirmation Order does not bind all holders of Claims against and Interests in the Debtors to the Third Party Release when the Confirmation Order becomes a Final Order, then the allocation of the remaining Standard Release-Based Consideration shall be distributed Pro Rata only to holders who are bound to the Third Party Release.

If a SLC Settlement Event occurs on or before the first anniversary of the Effective Date of the Plan, each holder of an Allowed Loral Claim shall receive its share of the Supplemental Release-Based Consideration, which shall be distributed to the Loral Entities as agreed to by such parties.

If a SLC Settlement Event does not occur on or before the first anniversary of the Effective Date, the Supplemental Release-Based Consideration shall be distributed to the holders of Allowed General Unsecured Claims who are entitled to receive Standard Release-Based Consideration in the same manner as described above with respect to the Standard Release-Based Consideration.

**d. Special Provisions Related to Loral Claims, Vendor Financing Claims, and Claims of QUALCOMM and its affiliates.**

Distributions on account of Loral Claims and Loral Vendor Financing Claims will be made as directed by Loral. No more than eleven Loral Entities or entities holding Loral Vendor Financing Claims (in the aggregate) shall be members of New Globalstar on the Effective Date. Distributions on account of Claims of the QUALCOMM Entities will be made as directed by QUALCOMM in accordance with the QUALCOMM Settlement Agreement. No more than one affiliate of QUALCOMM (including QUALCOMM) will be a member of New Globalstar on the Effective Date. Distributions on at the Commitment Fee Claims will be made as directed by the Agent, provided that no more than four Creditor DIP Lenders or their affiliates will be members of New Globalstar.

**2. Undeliverable Distributions Held by Disbursing Agents**

**a. Holding and Investment of Undeliverable Distributions; Undelivered Membership Interests**

If any distribution to a holder of an Allowed Claim is returned to a Disbursing Agent as undeliverable, no further distributions will be made to such holder unless and until the applicable Disbursing Agent is notified by written certification of such holder's then-current address. Subject to Section VI.I of the Plan, undeliverable distributions will remain in or be allocated to the Disputed Claims Reserve pursuant to Section VI.D.2(a) of the Plan until such time as a distribution becomes deliverable. Any undeliverable cash (including dividends or other distributions on account of an undeliverable Membership Interest) will be held in a segregated bank account in the name of the applicable Disbursing Agent for the benefit of the potential claimants of such funds. Any Disbursing Agent holding undeliverable cash will invest such cash in a manner consistent with the New Globalstar's investment and deposit guidelines. An undeliverable Membership Interest will be allocated to the Disputed Claims Reserve for the benefit of the potential claimants of such securities.

Prior to the closing of the Chapter 11 Case, on each anniversary of the Effective Date that undeliverable distributions are being held on behalf of holders of Claims, the Disbursing Agent will file with the Bankruptcy Court a list identifying all such holders.

**b. After Distributions Become Deliverable**

On each Quarterly Distribution Date, the Disbursing Agent will make all distributions that become deliverable to holders of Allowed Claims during the preceding calendar quarter. Each such distribution will include, to the extent applicable, a pro rata share of dividends or other distributions, if any (in each case, net of applicable taxes, if any, payable by GCC in respect thereof), that were previously paid to the Disbursing Agent in respect of any Membership Interests included in such distribution. See Section X.G of this Disclosure Statement.

**c. Failure to Claim Undeliverable Distributions**

Any holder of an Allowed Claim that does not assert a claim pursuant to the Plan for an undeliverable distribution to be made by a Disbursing Agent within two years after the Effective Date will have its claim for such undeliverable distribution discharged and will be forever barred from asserting any such claim against the Debtors, New Globalstar, the Disbursing Agent or their property. In such cases with respect to Allowed General Unsecured Claims (i) Membership Interests and cash will be retained for redistribution to holders of Allowed General Unsecured Claims, and Allowed Loral Claims, and, to the extent the holder of a Commitment Fee Claim is entitled to a distribution in accordance with Section III.A.1(f)(i) of the Plan, holders of Allowed Commitment Fee Claims, pursuant to Section VII.C of the Plan, and (ii) for purposes of this redistribution, each Allowed Claim for which such distributions are undeliverable will be deemed disallowed in its entirety. In such cases with respect to Allowed Claims in any other Class, unclaimed cash will become the property of New Globalstar, free of any restrictions thereon. Nothing contained in the Plan will require any Debtor or Disbursing Agent to attempt to locate any holder of an Allowed Claim.

**E. CLOSING OF CLAIMS AND TRANSFER REGISTERS**

As of the close of business on the Distribution Record Date, the claims register and the respective transfer or record holder registers for the Senior Notes (as maintained by the Depository), as applicable, will be closed with respect to all Claims and there will be no further changes in the record holder of any such Claim. The Disbursing Agent will have no obligation to recognize any transfer or sale of any Claim occurring after the Distribution Record Date. The Disbursing Agent will instead be authorized and entitled to recognize and deal for all purposes under the Plan with only those record holders stated on the claims register or identified on the transfer or record holder register, as applicable, as of the close of business on the Distribution Record Date as provided to the Disbursing Agent except with respect to Total Release-Based Consideration, if any, to be distributed to holders of Allowed Senior Note Claims.

Except as otherwise provided in a Final Order of the Bankruptcy Court, the transferees of Claims that are transferred pursuant to Bankruptcy Rule 3001 and for which the notice of transfer appears on the docket of the Bankruptcy Court on or prior to the Distribution Record Date will be treated as the holders of such Claims for all purposes, notwithstanding that any period provided by Bankruptcy Rule 3001 for objecting to such transfer has not expired by the Distribution Record Date.

**F. MEANS OF CASH PAYMENTS**

Except as otherwise specified herein, cash payments made pursuant to the Plan will be in U.S. currency by checks drawn on a domestic bank selected by the Disbursing Agent or, at the option of the Disbursing Agent, by wire transfer from a domestic bank; provided, however, that cash payments to foreign holders of Allowed Claims may be made, at the option of the Disbursing Agent, in such funds and by such means as are necessary or customary in a particular foreign jurisdiction.

**G. TIMING AND CALCULATION OF AMOUNTS TO BE DISTRIBUTED**

**1. Business Day**

In the event that any payment or act under the Plan is required to be made or performed on a date that is not a Business Day, then the making of such payment or the performance of such act may be completed on the next succeeding Business Day, but will be deemed to have been completed as of the required date.

**2. Rounding**

Notwithstanding any other provision of the Plan, the Membership Interest allocated to the holder of an Allowed Claim pursuant to Article III of the Plan may be rounded to the nearest 5<sup>th</sup> decimal place, when the Membership Interests are expressed as a percentage.

**3. Compliance with Tax Requirements**

In connection with the Plan, to the extent applicable, each Disbursing Agent will comply with all Tax withholding and reporting requirements imposed on it by any governmental unit, and all distributions pursuant to the Plan will be subject to such withholding and reporting requirements. Each Disbursing Agent will be authorized to take any actions that may be necessary or appropriate to comply with such withholding and reporting requirements, including but not limited to requiring recipients to fund the payment of such withholding as a condition to delivery or entering into arrangements for the sale (subject to the terms and conditions of the New Globalstar LLC Agreement) of a whole or part of a Membership Interest otherwise to be distributed to a recipient subject to a withholding requirement in order to generate net proceeds sufficient to fund the payment of any such withholding.

Notwithstanding any other provision of the Plan, each Entity receiving a distribution of cash or a Membership Interest pursuant to the terms hereof will have sole and exclusive responsibility for the satisfaction and payment of any Tax obligations imposed on it by any governmental unit on account of such distribution, including income, withholding, and other Tax obligations.

**H. SETOFFS**

Except with respect to claims of a Debtor released pursuant to the Plan or otherwise, the Disbursing Agent may, pursuant to section 553 of the Bankruptcy Code or applicable non-bankruptcy law, set off against any Allowed Claim and the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim) the claims, rights, and causes of action of any nature that the Disbursing Agent or New Globalstar may hold against the holder of such Allowed Claim; provided, however, that neither the failure to effect a setoff nor the allowance of any Claim hereunder will constitute a waiver or release by the Disbursing Agent or New Globalstar of any claims, rights, and causes of action that the Disbursing Agent or New Globalstar may possess against such a holder of a Claim.

**I. SURRENDER OF CANCELED INSTRUMENTS OR SECURITIES**

Except as otherwise provided, as a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by note certificates, stock certificates or other written instruments, or other documentation canceled pursuant to Section IV.D of the Plan, the holder of such Claim must tender, as specified in Section VI.I of the Plan, the applicable certificates, instruments or other documentation evidencing such Claim to the applicable Disbursing Agent, together with any letter of transmittal required by such Disbursing Agent. Pending such surrender, any distributions pursuant to the Plan on account of any such Claim will be treated as an undeliverable distribution under the Plan.

Except as otherwise provided, each holder of an Allowed Senior Note Claim must tender the applicable Senior Note certificates to the applicable Disbursing Agent with a letter of transmittal to be provided to such holder by the Disbursing Agent as promptly as practicable following the Effective Date. The letter of transmittal will include, among other provisions, customary provisions with respect to the authority of the holder of the applicable

Senior Note certificates to act and the authenticity of any signatures required thereon. All surrendered Senior Note certificates will be marked "Canceled" by the Disbursing Agent and delivered to the Debtors.

Each holder of an Allowed Senior Note Claim with respect to which the underlying Senior Note certificate has been lost, stolen, mutilated, or destroyed must, in lieu of surrendering such Senior Note certificate, deliver to the applicable Disbursing Agent: (i) evidence satisfactory to the Disbursing Agent of the loss, theft, mutilation, or destruction and (ii) such security or indemnity as may be required by the Disbursing Agent to hold the Disbursing Agent and the Debtors, as applicable, harmless from any damages, liabilities, or costs incurred in treating such individual as a holder of a Senior Note. Upon compliance with Section VI.I.2 of the Plan by a holder of an Allowed Senior Note Claim, such holder will, for all purposes under the Plan, be deemed to have surrendered the applicable Senior Note certificate.

Except as otherwise provided, any holder of an Allowed Senior Note Claim that fails to surrender or be deemed to have surrendered the applicable Senior Note certificate within two years after the Effective Date will have its right to distributions pursuant to the Plan on account of such Senior Note Claim discharged and will be forever barred from asserting any such Claim against the Debtors, New Globalstar or their property. In such case, any cash or Membership Interests held for distribution on account of such Senior Note Claim will be treated pursuant to the provisions set forth in Section VII.C of the Plan.

With respect to any Senior Note certificate held in the name and custody of CEDE & Co., as nominee of The Depository Trust Company (the "Depository"), the foregoing provisions will not apply; however, the Disbursing Agent will coordinate with the Depository to obtain such Senior Note certificate substantially in accordance with the procedures contemplated by such provisions. Such Senior Note certificate will be marked "Canceled" by the Disbursing Agent and delivered to the Debtors.

With respect to any Senior Note certificate held in the name of CEDE & Co. but in the custody of the Indenture Trustee, in lieu of the procedures contemplated in the foregoing provisions, the Disbursing Agent will obtain such Senior Note certificate from the Indenture Trustee and will coordinate a mandatory exchange of the Senior Notes evidenced by such certificates for Membership Interests in accordance with the Plan and instructions received from the Depository. Such Senior Note certificate will be marked "Canceled" by the Disbursing Agent and delivered to the Debtors.

With respect to any uncertificated Senior Note held in the name of CEDE & Co., as evidenced by the applicable record holder register retained by the Indenture Trustee, the Disbursing Agent will coordinate a mandatory exchange of such Senior Notes for Membership Interests in accordance with the Plan and instructions received from the Depository.

As a condition precedent to receiving any distribution pursuant to the Plan on account of an Allowed Claim evidenced by note certificates (other than Senior Note certificates), stock certificates or other written instruments or other documentation canceled pursuant to Section IV.D of the Plan, the applicable Disbursing Agent may, prior to 10 Business Days after the later of the Effective Date or the date such Claim becomes an Allowed Claim, require the holder of such Allowed Claim to tender the applicable certificates, instruments, or other documentation evidencing such Claim, together with any letter of transmittal required by such Disbursing Agent. Pending such surrender, any distributions pursuant to the Plan on account of any such Claim will be treated as an undeliverable distribution pursuant to Section VI.D.2 of the Plan. Any holder of such an Allowed Claim with respect to which the underlying certificate, instrument or other documentation has been lost, stolen, mutilated, or destroyed must, in lieu of surrendering such certificate, instrument or other documentation, deliver to the applicable Disbursing Agent: (a) evidence satisfactory to the Disbursing Agent of the loss, theft, mutilation, or destruction, and (b) such security or indemnity as may be required by the Disbursing Agent to hold the Disbursing Agent, New Globalstar and the Debtors, as applicable, harmless from any damages, liabilities, or costs incurred in treating such individual as a holder of a Claim. Upon compliance with these provisions by a holder of an Allowed Claim, such holder will, for all purposes under the Plan, be deemed to have surrendered the applicable certificate, instrument or other documentation.

Distributions made in respect of Senior Notes held in the name of CEDE & Co. will be made in accordance with the Plan and instructions received from the Depository; provided, however, that, if under the rules of the

Depository, Membership Interests are not eligible to be held in the name of CEDE & Co., distributions of Membership Interests (including Membership Interests to be distributed upon exercise of a Series A Right or a Series B Right) made in respect of Senior Notes held in the name of CEDE & Co., will be made, directly or indirectly through CEDE & Co., to the DTC Participants in accordance with the instructions of the Depository and in no event will such distributions be made to the beneficial holders of Senior Notes held in street name; provided further that, following such distribution, the transfer of Membership Interests held in the name of the DTC Participants, will be subject to the restrictions on the transfer of Membership Interests contained in the New Globalstar LLC Agreement.

## **J. PROCEDURES FOR RESOLVING DISPUTED CLAIMS**

A Disputed Claim is one in which the Debtor disputes the validity, enforceability under the Bankruptcy Code, or the amount of the Claim. A Disputed Claim is (i) a Claim that is subject of a timely objection, appeal, or motion to estimate and that has not been determined by a Final Order, (ii) a Claim to the extent that the Claim is scheduled as disputed, contingent or unliquidated or (iii) a scheduled Claim (other than a Claim described in the immediately preceding clause (ii)), to the extent the amount of the asserted Claim exceeds the amount of such Claim scheduled by Debtors.

### **1. Prosecution of Objections**

On and after the Effective Date, GCC (and subsequent to its dissolution, New Globalstar) will have the authority and exclusive right to file, settle, compromise, withdraw or litigate to judgment objections to the allowance of Claims and Interests, whether arising before or after the Petition Date; provided, however, that any in party interest that has filed an objection to the allowance of a Claim prior to the Confirmation Date will have concurrent authority to prosecute such objection. On and after the Effective Date, GCC (and subsequent to its dissolution, New Globalstar) will have the authority to compromise, settle, otherwise resolve or withdraw any objections to Claims or compromise, settle or otherwise resolve Disputed Claims without approval of the Bankruptcy Court; provided, however, that to the extent a party in interest has filed an objection to the allowance of a Claim prior to the Confirmation Date, GCC (and subsequent to its dissolution, New Globalstar) will either obtain Bankruptcy Court approval for, or obtain the consent of the party before filing the objection to such Claim prior to the allowance of such Disputed Claim. Unless another date is established by order of the Bankruptcy Court, all objections to Claims (other than applications for allowances of compensation and reimbursement of expenses) will be filed and served 60 days after the later of the Effective Date or the date proof of such Claim or Interests or request for payment of Administrative Claims is filed by the holder thereof.

### **2. No Distributions Pending Allowance**

Notwithstanding any other provision hereof, if any portion of a Claim is a Disputed Claim, no payment or distribution provided hereunder will be made on account of the portion of such Claim that is a Disputed Claim unless and until such Disputed Claim becomes an Allowed Claim, but the payment or distribution provided hereunder will be made on account of the portion of such Claim that is an Allowed Claim.

### **3. Disputed Claims Reserve**

#### **a. Creation of the Disputed Claims Reserve; Initial Distribution**

On the Effective Date, the Debtors will place in the Disputed Claims Reserve maintained by the Disbursing Agent for the benefit of the holders of Disputed Claims and any other Claims that are not Allowed Claims, cash and Membership Interests not distributed as of the Effective Date.

Following the initial distribution pursuant to Article VI of the Plan, the Disputed Claims Reserve will contain cash and the Membership Interest attributable to (i) the Supplemental Release-Based Membership Interest and (ii) the Membership Interest allocable to holders of Disputed Claims or Claims arising from and after the Effective Date of the Plan, which Claims have not been Allowed. In addition, following the sale of the GSH

Interest, the proceeds of such sale will be placed in the Disputed Claims Reserve for distribution therefrom in accordance with the applicable terms of the Plan.

After the allowance or disallowance of all Claims entitled to receive cash pursuant to the Plan, any cash remaining in the Disputed Claims Reserve will be paid to New Globalstar.

The distributions of cash and Membership Interests with respect to exercise of the Series A Rights and Series B Rights by holders of Disputed General Unsecured Claims as of the Rights Expiration Time shall be governed by Section VIII.C of the Plan.

**b. Distributions After Allowance or Disallowance of Claims**

Payments and distributions to each holder of a Disputed Claim or any other Claim that is not an Allowed Claim, to the extent that such Claim ultimately becomes an Allowed Claim, will be made in accordance with the provisions of the Plan, including the provision governing the Class of Claims in which such Claim is classified. On the Quarterly Distribution Date following the calendar quarter in which the order or judgment of the Bankruptcy Court allowing any Disputed Claim or any other Claim that is not an Allowed Claim becomes a Final Order or in which, by agreement, any Disputed Claim or any other Claim not previously allowed becomes an Allowed Claim, the Disbursing Agent will distribute or allocate to the holder of such Claim any cash or a Membership Interest (as applicable) that would have been distributed to such holder if the Claim had been an Allowed Claim on the Effective Date. In the case of a holder of a Disputed Claim entitled to receive a Membership Interest that becomes an Allowed Claim, such distribution will include a payment in cash equal to any accrued dividends or other distributions, if any, actually paid to the holders of Allowed Claims (in each case, net of applicable taxes, if any, payable by the Disbursing Agent in respect thereof) with respect to the shares held in the Disputed Claims Reserve on account of such holder's Claim.

If as a result of the disallowance of Claims, a Membership Interest no longer needs to be reserved for a Disputed Claim, such Membership Interest will be treated and allocated in the same manner as if it were a Base Creditor Membership Interest, Standard Release-Based Membership Interest or a Supplemental Release-Based Membership Interest, as the case may be, and allocated as if such Membership Interest had been distributed to holders of Allowed Claims or reserved on account of remaining Disputed Claims in accordance with Section III.B of the Plan.

**c. Estimation**

For purposes of effectuating the reserve provisions of the Plan and the allocations and distributions to holders of Allowed Claims entitled to receive a Membership Interest, the Debtors may request prior to, or the Disbursing Agent may request after, the Effective Date that the Bankruptcy Court, pursuant to section 502 of the Bankruptcy Code, fix or liquidate the amount of any contingent or unliquidated General Unsecured Claim not otherwise treated under the Plan or, in lieu thereof, the Bankruptcy Court may determine the maximum contingent or unliquidated amount for such Claim.

**d. Additional Provisions for Distribution of Standard Release-Based Consideration and Supplemental Release-Based Consideration**

If the Confirmation Order binds all holders of General Unsecured Claims against the Debtors to the Third Party Release, but such Confirmation Order is not final on or before the date of the initial distribution of the Standard Release-Based Membership Interest, the Standard Release-Based Consideration otherwise allocable to the holders of the General Unsecured Claims not irrevocably bound by the Third Party Release shall be allocated to the Disputed Claims Reserve. When the Confirmation Order becomes a Final Order, the Standard Release-Based Consideration in the Disputed Claims Reserve shall be allocated in accordance with Section VI.D.1(c)(ii) of the Plan.

The Supplemental Release-Based Consideration shall be allocated to the Disputed Claims Reserve. If a SLC Settlement Event occurs on or before the first anniversary of the Effective Date, the Supplemental Release-

Based Consideration in the Disputed Claim Reserve shall be allocated to holders of Allowed Loral Claims so as to effectuate Section VI.D.1(c)(iii) of the Plan. If, on the other hand, an SLC Settlement Event does not occur on or before the first anniversary of the Effective Date, the Supplemental Release-Based Consideration in the Disputed Claims Reserve shall be distributed to holders of Allowed General Unsecured Claims who are entitled to receive Standard Release-Based Consideration in accordance with Sections VI.D.1(c)(i), (ii) and (iv) of the Plan.

**e. Additional Distributions on Account of Previously Allowed Claims**

On each Quarterly Distribution Date, each holder of a Claim previously Allowed that is entitled a Membership Interest pursuant to the Plan will receive an additional distribution from the Disputed Claims Reserve on account of such Claim equal to (i) the cash and Membership Interest that such holder would have been entitled to receive on the Effective Date pursuant to Article III of the Plan after giving effect to the allowance or disallowance of Claims subsequent to the Effective Date minus (ii) the cash distributed and Membership Interest previously allocated on account of the Claim. Each additional distribution also will include: (i) any dividends or other distributions, if any, made on account of the Membership Interest included in such distribution; and (ii) any proceeds from the investment of the dividends or distributions referred to in clause (i) (in each case, net of applicable taxes, if any, payable by the Disbursing Agent in respect thereof).

Notwithstanding the foregoing, the Disbursing Agent will not be required to make any distribution on any Quarterly Distribution Date if the Disbursing Agent determines, in its reasonable discretion, that making such distribution would not be cost efficient. Any distribution to a holder of a Claim that has not been made will be retained for distribution on the next Quarterly Distribution Date for which such distribution is cost-efficient or such time as all Claims have been allowed or disallowed. After the allowance or disallowance of all Claims, the Disbursing Agent will allocate any Membership Interest remaining in the Disputed Claims Reserve to Allowed Claims.

**f. Dividends and Distributions**

Cash dividends and other distributions on account of a Membership Interest held in the Disputed Claims Reserve will be distributed to the Disputed Claims Reserve concurrently with the transfer of such dividends and other distributions to other holders of Membership Interests. Cash held in the Disputed Claims Reserve as a result of such dividends and other distributions will be deposited in a segregated bank account maintained by the Disbursing Agent and held in trust pending distribution by the applicable Disbursing Agent for the benefit of holders of Disputed Claims. The Disbursing Agent will invest the cash held in the Disputed Claims Reserve in a manner consistent with the Disbursing Agent's investment and deposit guidelines. The applicable Disbursing Agent also will place in the Disputed Claims Reserve the proceeds from such investment of cash (net of applicable taxes, if any, payable by the Disbursing Agent in respect thereof).

**g. Recourse**

Each holder of an Allowed Claim (or a Disputed Claim that ultimately becomes an Allowed Claim) will have recourse only to the undistributed cash and Membership Interests held in the Disputed Claims Reserve for satisfaction of the distributions (including Reallocated Membership Interests) to which holders of Allowed Claims are entitled hereunder, and not to the Debtors, New Globalstar, their property, or any assets previously distributed on account of any Allowed Claim or to the Disbursing Agent.

**h. Tax Reporting and Other Matters**

Under section 468B(g) of the Internal Revenue Code, title 26 of the United States Code, amounts earned by an escrow account, settlement fund or similar fund must be subject to current tax. Although certain Treasury Regulations have been issued under this Section, no Treasury Regulations have as yet been promulgated to address the tax treatment of such accounts established to satisfy claims similar to the Disputed Claims in Classes 4 and 5. Treasury Regulations have been proposed that would establish, if finalized in their current form, the tax treatment of reserves of a type similar to those involved here. In general, such Treasury Regulations would subject such a reserve to a separate entity-level tax in a manner similar to a "qualified settlement fund" governed by Treasury

Regulation sections 1.468B-1 *et seq.* As to reserves established prior to the proposed Treasury Regulations becoming final, the proposed Treasury Regulations provide that the IRS would not challenge any reasonable, consistently applied method of taxation for income earned by the reserve and any reasonable, consistently applied method for reporting such income.

Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary and subject to the issuance of definitive guidance, the Disbursing Agent will (a) treat the Disputed Claims Reserve as disputed ownership funds and for federal income tax purposes in accordance with the proposed Treasury Regulations under section 1.468B-9 (b) and, to the extent permitted by applicable law, report consistently for federal, state and local income tax purposes. In addition, pursuant to the Plan, holders of Disputed Claims must report consistently with such treatment.

Accordingly, the Disbursing Agent will report, as subject to a separate entity level tax, any amounts earned by the Disputed Claims Reserves, and will pay taxes thereon.

In general, distributions from a Disputed Claims Reserve will be made net of any taxes paid with respect to earnings of the Disputed Claims Reserve that are included in the distribution to holders of Disputed Claims when such Claims become allowed as provided in the Plan.

If the Disputed Claims Reserve has insufficient funds to pay any applicable taxes imposed upon it or its assets, New Globalstar will advance to the Disputed Claims Reserve any funds necessary to pay such taxes, with each such tax advance repayable upon the request of New Globalstar (including by way of deduction or, subject to the terms of the New Globalstar LLC Agreement, sale of Membership Interests) from future amounts received by the Disputed Claims Reserve in accordance with the following procedures. Prior to any cash being distributed from the reserve to any holder following the resolution of a Disputed Claim, such cash will first be applied against the pro rata portion of any outstanding tax advance attributable to the resolved Claim. If there is instead to be made to such holder a distribution of other property, the holder will, as a condition to receiving such property, have 30 Business Days in which to pay in cash to the Disbursing Agent an amount equal to its pro rata portion of the unsatisfied portion of such tax advance. If a payment in full in cash is not received in such 30 Business Day period, the Disbursing Agent will be entitled to reduce and permanently adjust the property that would otherwise be distributed to such holder accordingly. If a Disputed Claim is not Allowed, the holders of Allowed General Unsecured Claims will, as a condition to receiving an increased Membership Interest or other property, have 30 Business Days in which to pay in cash to the Disbursing Agent an amount equal to their pro rata portion of the unsatisfied portion of such tax advance. If a payment in full in cash is not received in such 30 Business Day period, the Disbursing Agent will be entitled to reduce and permanently adjust the property that would otherwise be distributed to such holder accordingly.

**XI. CONFIRMATION AND CONSUMMATION OF THE PLAN**

**A. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

**1. Conditions to Confirmation**

The Bankruptcy Court will not enter the Confirmation Order unless and until the following conditions have been satisfied or duly waived pursuant to Section X.C of the Plan:

- ?? The Confirmation Order shall be acceptable in all material respects to the Debtors and the Creditors Committee (except that any provision in the Confirmation Order relating to the Standard Release-Based Consideration or the Supplemental Release-Based Consideration or any dispute with respect thereto need not be acceptable to the Creditors Committee); and

- ?? The Plan shall not have been amended, altered or modified from the Plan as filed on May 3, 2004, unless such amendment, alteration, or modification has been consented to in accordance with Section XIV.B of the Plan.

## **2. Conditions to the Effective Date**

The Effective Date will not occur and the Plan will not be consummated unless and until each of the following conditions have been satisfied or duly waived pursuant to Section X.C of the Plan:

- ?? The Plan shall not have been amended, altered, or modified from the Plan as filed on May 3, 2004, unless such amendment, alteration or modification has been consented to in accordance with Section XIV.B of the Plan;
- ?? The Clerk of the Bankruptcy Court shall have entered the Confirmation Order, and the implementation of the Confirmation Order has not been stayed; and
- ?? Any other necessary orders in aid of consummation of the Plan in form and substance agreed to by the Debtors and the Creditors Committee shall have been entered.

## **3. Waiver of Conditions to Confirmation and the Effective Date**

The conditions to Confirmation and the conditions to the Effective Date may be waived in whole or part by the Debtors at any time without an order of the Bankruptcy Court after five Business Days' written notice of such proposed waiver to, and upon the receipt of the prior written consent of, the Creditors Committee; provided, however, that the Debtors may waive such conditions to Confirmation or conditions to the Effective Date without prior notice to, or to the consent of, the Creditors Committee to the extent the failure to satisfy such conditions relates in any manner to the Standard Release-Based Consideration or the Supplemental Release-Based Consideration or any dispute with respect thereto.

## **4. Effect of Nonoccurrence of Conditions to the Effective Date**

If each of the conditions to the Effective Date is not satisfied or duly waived, then upon motion by the Debtors and the Creditors Committee made before the time that each of such conditions has been satisfied or duly waived and upon notice to such parties in interest as the Bankruptcy Court may direct, the Confirmation Order will be vacated by the Bankruptcy Court; provided, however, that, notwithstanding the filing of such motion, the Confirmation Order may not be vacated if each of the conditions to the Effective Date is either satisfied or duly waived before the Bankruptcy Court enters an order granting such motion. If the Confirmation Order is vacated pursuant to Section X.D of the Plan, (a) the Plan will be null and void in all respects, including with respect to: (i) the rejections of Executory Contracts and Unexpired Leases pursuant to Article V of the Plan; and (ii) the substantive consolidation of the Debtors and (b) nothing contained in the Plan will (i) constitute a waiver or release of any Claims by or against, or any Interest in, the Debtors or (ii) prejudice in any manner the rights of the Debtors or any other party in interest.

## **B. THE CONFIRMATION HEARING**

The Bankruptcy Code requires the Bankruptcy Court, after notice, to hold a confirmation hearing. The Confirmation Hearing in respect of the Plan has been scheduled for June 17, 2004, commencing at 3:00 p.m. Eastern time, before the Honorable Peter J. Walsh, United States Bankruptcy Judge, at the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Wilmington, Delaware 19801, or such other location as the Bankruptcy Court directs. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice except for the announcement of the adjournment date made at the Confirmation Hearing or at any subsequent adjourned Confirmation Hearing. Any objection to confirmation must be made in writing and specify in detail the name and address of the objector, all grounds for the objection and the amount of the Claim held by the objector. Any such objection must be filed with the Bankruptcy Court and served so that it is received by the

Bankruptcy Court with a copy to Judge Walsh's Chambers, together with proof of service thereof, and served upon the following parties on or before June 7, 2004 at 4:00 p.m. Eastern time:

Globalstar, L.P.  
P.O. Box 640670  
San Jose, CA 95164-0670  
Attention: William F. Adler, Esq.  
Fax: (408) 933-4950

Jones Day  
Attorneys for the Debtors  
222 E. 41st Street  
New York, New York 10017  
Attention: Paul D. Leake, Esq.  
Fax: (212) 755-7306

Akin, Gump, Strauss, Hauer & Feld, L.L.P.  
Attorneys for The Official Committee of Unsecured Creditors  
590 Madison Avenue  
New York, New York 10022  
Attention: Daniel H. Golden, Esq.  
Fax: (212) 872-1002

Office of the United States Trustee  
844 King Street, Suite 2313  
Wilmington, Delaware 19801  
Attention: Mark S. Kenney, Esq.

Objections to confirmation of the Plan are governed by Bankruptcy Rule 9014. UNLESS AN OBJECTION TO CONFIRMATION IS TIMELY SERVED AND FILED, IT MAY NOT BE CONSIDERED BY THE BANKRUPTCY COURT.

### **C. CONFIRMATION**

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of section 1129 of the Bankruptcy Code are met. Among the requirements for confirmation of a plan are that the plan is (i) accepted by all impaired classes of claims and equity interests or, if rejected by an impaired class, that the plan "does not discriminate unfairly" and is "fair and equitable" as to such class, (ii) feasible and (iii) in the "best interests" of creditors and equity holders that are impaired under the plan.

#### **1. Acceptance or Cramdown**

A plan is accepted by an impaired class of claims if holders of at least two-thirds in dollar amount and a majority in number of claims of that class vote to accept the plan. Only those holders of claims who actually vote (and are entitled to vote) to accept or to reject a plan count in this tabulation. If the Plan is not accepted by all impaired classes, the Plan can still be confirmed if at least one impaired class of claims has accepted the Plan and the other requirements of section 1129 of Bankruptcy Code are met, including the so-called "cramdown" provisions. To satisfy these cramdown provisions, the Bankruptcy Court must find that the Plan (a) is "fair and equitable" and (b) "does not discriminate unfairly" with respect to each Class of Interests or Claims that is impaired under, and has not accepted, the Plan. The "fair and equitable" standard includes the "absolute priority rule," which requires, among other things, that unless a dissenting Class of Interests or Class of Unsecured Claims receives full compensation for its Interests or Allowed Claims, no holder of Interests or Allowed Claims in any junior Class may receive or retain any property on account of such Interests or Claims. The "fair and equitable" standard requires, among other things, that holders of secured claims either (a) retain their liens and receive deferred cash payments with a value as of the Effective Date equal to the value of their interest in property of the applicable Estate or

(b) receive the indubitable equivalent of their Secured Claims. The Debtors believe that the Plan may be crammed down over the dissent of the Securities Litigation Claims in view of the treatment proposed for such Classes and can be crammed down over the dissent of Interests. If necessary and appropriate, the Debtors intend to modify the Plan to permit cramdown of other dissenting Classes of Claims.

The requirement that the Plan not "discriminate unfairly" means, among other things, that a dissenting Class must be treated substantially equal with respect to other Classes of equal rank unless there is a reasonable basis of such disparate treatment. The Debtors do not believe that the Plan unfairly discriminates against any Class that may not accept or otherwise consent to the Plan.

Any Class of Claims that receives nothing under the Plan will be deemed to be a dissenting Class. As a result, in addition to any Class that does not vote to accept the Plan, the Debtors will, to the extent required, seek to use the "cramdown" provisions described above with respect to the Claims in Class 7 and Interests in Class 8.

Subject to the conditions set forth in the Plan, a determination by the Bankruptcy Court that the Plan, as it applies to any particular Debtor, is not confirmable pursuant to section 1129 of the Bankruptcy Code will not limit or affect: (a) the confirmability of the Plan as it applies to any other Debtor or (b) the Debtors' ability to modify the Plan, as it applies to any particular Debtor, to satisfy the provisions of section 1129(b) of the Bankruptcy Code.

## **2. Feasibility**

Section 1129(a)(11) of the Bankruptcy Code provides that a chapter 11 plan may be confirmed only if the Bankruptcy Court finds that such plan is feasible. A feasible plan is one which will not lead to a need for further reorganization or liquidation of the debtor, unless such reorganization or liquidation is contemplated by the plan. Since the Plan provides for the liquidation of the Debtors, the Bankruptcy Court will find that the Plan is feasible if it determines that the Debtors will be able to satisfy the conditions precedent to the Effective Date and otherwise have sufficient funds to meet their post-Confirmation Date obligations to pay for the costs of administering and fully consummating the Plan and closing the Chapter 11 Cases. The Debtors believe that the Plan satisfies the financial feasibility requirement imposed by the Bankruptcy Code.

## **3. Best Interests Test**

With respect to the impaired Classes of Claims, confirmation of the Plan requires that each holder of a Claim in such Classes either (a) accepts the Plan or (b) receives or retains under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. A liquidation analysis is set forth as Exhibit C hereto. The analysis demonstrates that the Plan satisfies the best interests test inasmuch as each holder of a Claim in each impaired Class will receive under the Plan property of a value, as of the Effective Date, that is not less than the value such holder would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code.

The starting point in determining whether the Plan meets the "best interests" test is a determination of the amount of proceeds that would be generated from the liquidation of the Debtors' remaining assets (including the equity in New Globalstar) in the context of a chapter 7 liquidation. After the closing of transactions contemplated by the Asset Contribution Agreement, the Debtors' principal assets will be an 18.75% Membership Interest and the Wind-Up Funds. The chapter 7 trustee will face certain hurdles to liquidating these interests that would likely reduce the proceeds of such liquidation and further delay the distribution to creditors. For example, there will be no established market for the Membership Interests (it will not be listed on a national securities exchange or quoted on The Nasdaq National Market or The Nasdaq SmallCap Market and it will not be registered under Section 12 of the Exchange Act) and the Membership Interests would not be entitled to the benefit of section 1145 of the Bankruptcy Code. As a result, the trustee would likely be limited to a bulk sale of the Membership Interests to a single buyer or to an accredited investor. In that case, the sale price of the Membership Interests may be less than that received by an individual creditor selling its interests to a willing buyer (pursuant to the New Globalstar LLC Agreement, both the Trustee and individual Creditors would need consent to transfer this Membership Interest). Because of the delay, the Trustee might not be able to exercise the Series A Right or Series B Right. These rights provide Creditors with the potential to invest at Thermo's investment price, a right that some parties believe has value. To the extent the costs of chapter 7 liquidation exceed the Wind-Up Funds, the proceeds from such sale would first be applied to

pay the costs of chapter 7 liquidation, including costs incurred during the Chapter 11 Cases and allowed under chapter 7 of the Bankruptcy Code (such as professionals' fees and expenses), the chapter 7 trustee's fees, and the fees and expenses of professionals retained by a trustee. The potential chapter 7 liquidation distribution in respect of each Class would be further reduced by costs imposed by the delay caused by conversion to chapter 7. In addition, inefficiencies in the claims resolution process in a chapter 7 would negatively impact the recoveries of creditors. For example, a subsequent bar date for claims could be established, thus delaying the process. As a result of the foregoing, the net present value of a hypothetical chapter 7 liquidation distribution in respect of an impaired Class would likely be less than the recovery in respect of such Class provided for in the Plan.

For the reasons set forth above, the Debtors submit that each impaired Class will receive under the Plan a recovery at least equal in value to the recovery such Class would receive pursuant to a liquidation of each Debtor under chapter 7 of the Bankruptcy Code.

#### **D. CONSUMMATION**

The Plan will be consummated on the Effective Date. The Effective Date of the Plan will occur on a Business Day as determined by the Debtors and the Creditors Committee, as soon as reasonably practicable after all the conditions precedent to the effectiveness of the Plan, as set forth in Section IX.B of the Plan, have been satisfied or waived pursuant to Section IX.C of the Plan. For a more detailed discussion of the conditions precedent to the Effective Date of the Plan and the consequences of the failure to meet such conditions, see Section XI.A of this Disclosure Statement.

The Plan is to be implemented pursuant to its terms, consistent with the provisions of the Bankruptcy Code.

### **XII. CERTAIN RISK FACTORS TO BE CONSIDERED**

**HOLDERS OF CLAIMS AGAINST THE DEBTORS ENTITLED TO VOTE ON THE PLAN SHOULD READ AND CONSIDER CAREFULLY THE FACTORS SET FORTH BELOW, AS WELL AS THE OTHER INFORMATION SET FORTH IN THIS DISCLOSURE STATEMENT (AND THE DOCUMENTS DELIVERED TOGETHER HERewith AND/OR REFERRED TO HEREIN), PRIOR TO VOTING TO ACCEPT OR REJECT THE PLAN. THESE RISK FACTORS SHOULD NOT, HOWEVER, BE REGARDED AS CONSTITUTING THE ONLY RISKS INVOLVED IN CONNECTION WITH THE PLAN AND ITS IMPLEMENTATION.**

#### **A. RISKS RELATED TO CONFIRMATION, EFFECTIVENESS AND IMPLEMENTATION**

##### **1. Risk of Non-Confirmation of the Plan**

Although the Debtors believe the Plan will satisfy all requirements necessary for confirmation by the Bankruptcy Court, there can be no assurance that the Bankruptcy Court will reach the same conclusion. Moreover, there can be no assurance that modifications to the Plan will not be required for confirmation or that such modifications would not necessitate the resolicitation of votes. If the conditions precedent to the Confirmation Date set forth in Section X.A of the Plan have not occurred or been waived, the Plan will not be confirmed by the Bankruptcy Court.

##### **2. Risk of Non-Occurrence of the Effective Date**

Although the Debtors believe that the Effective Date will occur soon after the Confirmation Date, there can be no assurance as to the timing or occurrence of the Effective Date. If the conditions precedent to the Effective Date set forth in Section X.B of the Plan have not occurred or been waived, then the Debtors and the Creditors Committee may file a motion with the Bankruptcy Court seeking to vacate the Confirmation Order. If the Confirmation Order is vacated, no distributions under the Plan would be made, the Debtors and all holders of Claims and Interests would be restored to the *status quo ante* as of the day immediately preceding the Confirmation Date, and the Debtors' obligations with respect to Claims and Interests would remain unchanged.

### **3. Disputed Claims May Adversely Affect Distribution Amounts**

Disputed Claims are expected to be material. In addition, the total amount of all Claims in Class 4, including Disputed Claims, may be materially in excess of the total amount of Allowed Claims assumed in the development of the Plan. The actual aggregate amount of Allowed Claims in Class 4 may differ significantly from the estimates set forth in Article III of this Disclosure Statement. Moreover, the amount of Membership Interests that ultimately will be received by any particular holder of an Allowed Claim in Class 4 or may be adversely affected by the aggregate amount of Claims ultimately allowed in Class 4. Distributions of Membership Interests to holders of Allowed Claims in Class 4 or will be made on an incremental basis until all Disputed Claims in Class 4 have been resolved. See Section X.G of this Disclosure Statement. In addition, the amount of any Disputed Claim that ultimately is allowed by the Bankruptcy Court may be significantly less than the amount of the Disputed Claim asserted by the holder thereof.

### **4. Number of Allowed Claims Bound by the Third Party Release May Adversely Affect Distribution Amounts**

Distributions of the Release-Based Consideration will only be made to holders of Allowed General Unsecured Claims that vote to accept the Plan or are otherwise bound by the Third Party Release. Accordingly, the amount of Release-Based Consideration included in the distribution to holders of those Allowed General Unsecured Claims may be adversely affected by the amount of those Allowed Claims held by holders that are bound by the Third Party Release. See Article III of this Disclosure Statement.

The Loral Entities and the Creditors Committee each have reserved all rights with respect to the distribution of the consideration on account of a \$420 million unsecured claim associated with the reduction in the Allowed Loral Claims by \$420 million pursuant to the Loral Settlement. Thus, there can be no assurance that the Plan will not be modified to (i) reduce or increase the amount of such consideration distributed to holders of General Unsecured Claims that are bound to the Third Party Release of the Loral Entities and (ii) permit the Loral Entities, rather than holders of General Unsecured Claims, to exercise the Series A Rights and Series B Rights associated with the \$420 million Claim.

## **B. RISKS RELATED TO THE MEMBERSHIP INTERESTS**

### **1. The Membership Interests Are Not Freely Tradable; Membership Interests Are Likely To Be Highly Illiquid**

The New Globalstar LLC Agreement provides that Membership Interests will not be freely transferable for a period of 24 to 30 months following the Interest Acquisition Date (*i.e.*, the Lock-Up Period). Until that time, any transfer of Membership Interests requires the consent of the New Globalstar Board, which will grant such consent only in limited circumstances. As a result, it is highly unlikely that a market for Membership Interests will develop in which Membership Interests could be sold. Additionally, prior to the end of the Lock-Up Period, New Globalstar does not intend to seek to have any securities registered under Section 12 of the Exchange Act and therefore, New Globalstar will not be subject to the reporting requirements thereof. As a result, information relating to the business and financial condition of New Globalstar will not be publicly available, which may further adversely affect the liquidity of the Membership Interests.

### **2. Thermo, as New Globalstar's Controlling Member, Will Control the Outcome of Most Member Votes**

As of the Effective Date, Thermo controls 81.25% of the Membership Interests, subject to reduction to 63.63% in the event the Series A Rights and Series B Rights are exercised in full. As a result of its ownership of Membership Interests, Thermo is in a position to exercise significant control over New Globalstar's direction and management and controls the outcome on most matters requiring member approval, including amendments to the New Globalstar Certificate or New Globalstar LLC Agreement and the approval of mergers, decisions affecting the capital structure of New Globalstar and other significant corporate transactions. As a result, Thermo is in a position to delay or prevent a third party from obtaining control of New Globalstar, even when such occurrence would be in

the best interests of the holders of Membership Interests. Furthermore, Thermo is entitled to elect a majority of the directors of New Globalstar and therefore controls the outcome of most New Globalstar Board decisions. Because Thermo controls the outcome of most member votes of New Globalstar, Thermo can approve an action by Globalstar that is in the best interests of Thermo but not in the best interests of all holders of Membership Interests.

### **3. Historical Financial Information Will Not Be Comparable**

As a result of the consummation of the transactions contemplated by the Asset Contribution Agreement, New Globalstar operates the existing business of Globalstar under a new capital structure. Accordingly, the financial condition and results of operations of New Globalstar from and after the Interest Acquisition Date will not be comparable to the financial condition or results of operations reflected in the historical financial statements of Globalstar, including those set forth in the 2002 Form 10-K.

#### **C. RISKS RELATED TO THE BUSINESS OF NEW GLOBALSTAR**

For information regarding the risks relating to the business of New Globalstar, which business was conducted by Globalstar prior to the Contribution Date, see Part J, Item 1 "Certain Factors That May Affect Future Results" in the 2002 Form 10-K.

#### **D. RISKS RELATED TO GOVERNMENTAL REGULATION**

The Globalstar business is subject to varying degrees of federal, state, local and international regulation. In the United States, the Globalstar business is most heavily regulated by the FCC. Specifically, various FCC authorizations are required to operate the Globalstar System.

There are three pending regulatory proceedings that are of particular significance to future operations of the Globalstar business. First, the FCC proposed in a February 10, 2003 notice of proposed rulemaking to reallocate to Iridium, LLC ("Iridium") a portion of the 1610-1621.35.5 MHz band, which currently is licensed to L/Q Licensee for the operation of the Globalstar System. In addition, the FCC requested public comment on whether a portion of the 2483.5-2500 MHz band, which also currently is licensed to L/Q Licensee for the operation of the Globalstar System, should be assigned to Iridium or to terrestrial wireless operators, probably via a spectrum auction. The FCC also will consider in this proceeding whether it should solicit applications for new CDMA satellite systems that would share these bands with Globalstar. Globalstar, L/Q Licensee, ICO and the Creditors Committee all filed comments in the proceeding and New Globalstar will continue vigorously to contest any proposed reduction in spectrum assignment for the Globalstar System. However, there can be no assurance that all of the spectrum currently available for the operation of the Globalstar System will be retained.

Second, on February 10, 2003, the FCC issued a report and order granting Mobile-Satellite Service licensees authority to apply for a space station license modification permitting the licensee to provide terrestrial wireless services, also referred to as an ancillary terrestrial component ("ATC"), integrated with its satellite service and using its assigned space station spectrum. On July 7, 2003, five parties filed with the FCC petitions seeking FCC reconsideration of various aspects of this decision. Globalstar participated in all stages of the FCC's proceeding granting ATC authority to Mobile-Satellite Service licensees and New Globalstar will continue to support ATC authority against these administrative challenges, but there can be no assurance that the FCC will not repeal its ATC order or modify its ATC rules in a manner that is materially adverse to the Globalstar business.

Third, the FCC still has not acted on Globalstar's administrative appeal of the decision of the agency's International Bureau in January 2003 to cancel Globalstar's license for a 2 GHz satellite system. If the FCC does not reverse its Bureau and reinstate Globalstar's license, then the amount of radiofrequency spectrum potentially available to Globalstar for a second or later generation satellite system will be substantially reduced.

### **XIII. CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN**

The following discussion summarizes certain federal income tax consequences of the implementation of the Plan to the Debtors and to the holders of Claims and Interests entitled to distributions under the Plan. The following

summary does not address the federal income tax consequences to holders whose Claims are entitled to reinstatement or payment in full in cash or are otherwise unimpaired under the Plan or to holders whose Claims or Interests are extinguished without a distribution in exchange therefor.

The following summary is based on the IRC, Treasury Regulations promulgated thereunder, judicial decisions and published administrative rules and pronouncements of the IRS as in effect on the date hereof. Changes in such rules or new interpretations thereof may have retroactive effect and could significantly affect the federal income tax consequences described below.

The federal income tax consequences of the Plan are complex and are subject to uncertainties. The Debtors have not requested a ruling from the IRS or an opinion of counsel with respect to any of the tax aspects of the Plan. Thus, no assurance can be given as to the interpretation that the IRS will adopt with respect to the provisions of the Plan. In addition, this summary does not address state, local, or foreign income or other tax consequences of the Plan, nor does it purport to address the federal income tax consequences of the Plan to special classes of taxpayers (such as foreign taxpayers, broker-dealers, banks, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, tax-exempt organizations, investors in pass-through entities or holders who received Interests as compensation for services).

ACCORDINGLY, THE FOLLOWING SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSEQUENCES IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT A SUBSTITUTE FOR CAREFUL TAX PLANNING AND ADVICE BASED UPON THE PARTICULAR CIRCUMSTANCES PERTAINING TO A HOLDER OF A CLAIM. ALL HOLDERS OF CLAIMS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR THE FEDERAL, STATE, LOCAL AND OTHER TAX CONSEQUENCES APPLICABLE UNDER THE PLAN.

**A. CONSEQUENCES TO THE DEBTORS**

Globalstar is a partnership for U.S. federal income tax purposes and, accordingly, will have no regular federal tax liability with respect to the discharge of its debt or the transactions effected pursuant to the Plan. Instead, any income, gain or losses of Globalstar arising as a result of the Plan will flow through to and be taken into account by its partners. The transactions contemplated by the Plan will involve the exchange of Membership Interests for debt of Globalstar. The exchange will give rise to cancellation of debt income that would be allocable to the partners of Globalstar. Under section 1446 of the IRC, Globalstar is obligated to pay a 35% withholding tax on income effectively connected to a U.S. trade or business that is allocated to the foreign partners regardless of the fact they will not receive any distributions and their partnership interests will be canceled. In order to reduce and quantify this potential liability, Globalstar negotiated an agreement with the IRS that substantially reduced the amount of tax Globalstar would have to pay upon consummation of a chapter 11 plan to \$268,689. On or about July 25, 2003, Globalstar filed a motion with the Bankruptcy Court seeking approval of this agreement. The Bankruptcy Court approved this motion by order dated August 15, 2003.

GLLC is a disregarded entity for U.S. federal income tax purposes and, accordingly, any income, gain or losses arising with respect to it as a result of the Plan will be treated as income, gain or losses of its sole owner, Globalstar. Pursuant to the Plan, GLLC will be liquidated; however, the liquidation will have no federal income tax effects for either Globalstar or GLLC, as GLLC is already deemed not to exist.

GCC and GSCI, the two corporate debtors, are wholly owned subsidiaries of Globalstar which will be liquidated pursuant to the Plan. The discharge of debts and liquidations of GCC and GSCI will have no material federal income tax effects, as neither has any material assets, liabilities (other than GCCs' joint liability on certain Globalstar debt) or federal income tax attributes.

**B. CONSEQUENCES TO HOLDERS OF CERTAIN ALLOWED CLAIMS**

Pursuant to the Plan, holders of Allowed Claims in Classes 4 and 5 will receive Membership Interests in satisfaction and discharge of such Claims, and holders of Convenience Claims will receive cash equal to 60% of the

aggregate amount of such Claims (as reduced by the holder pursuant to the Plan, if applicable) in satisfaction and discharge of such Claims.

### **1. Allowed Convenience Claims**

In general, each holder of a Convenience Claim will recognize gain or loss in an amount equal to the difference between (a) the amount of cash received by the holder in satisfaction of its Claim (other than any amount received which is required to be treated as imputed interest in respect of any distributions received after the Effective Date as a result of the resolution of Disputed Claims) and (b) the holder's adjusted tax basis in its Claim. In general, it is not expected that any holder will receive any distribution with respect to any Claim or portion of a Claim representing accrued but unpaid interest.

The character of gain or loss (such as long term or short term capital, or ordinary) recognized by a holder in respect of its Claim will be determined by a number of factors, including the tax status of the holder, whether the Claim constituted a capital asset in the hands of the holder and how long it had been held, whether the Claim was originally issued at a discount or acquired at a market discount, and whether and to what extent the holder previously claimed a bad debt deduction in respect of the Claim.

### **2. Allowed Claims in Classes 4 and 5**

In general, each holder of an Allowed Claim in Class 4 or 5 (other than a holder that elects to have its Claim treated as a Convenience Claim) will recognize gain or loss in an amount equal to the difference between (a) the "amount realized" by the holder in satisfaction of the Claim and (b) the holder's adjusted tax basis in the Claim. In general, it is not expected that any holder will receive any distribution with respect to any Claim or portion of a Claim representing accrued but unpaid interest. The "amount realized" by a holder will equal the aggregate fair market value of the property received (or treated as received, as described below) by the holder pursuant to the Plan (less any amount required to be treated as imputed interest in respect of distributions received after the Effective Date).

For U.S. federal income tax purposes, "property" received includes Membership Interests, Series A Rights and Series B Rights. Accordingly, the "amount realized" by a holder of an Allowed Claim in Classes 4 and 5 will equal the aggregate fair market value of those securities received by a holder in respect of its Claim as of the distribution date.

The character of gain or loss (as long-term or short-term capital, or ordinary) recognized by a holder of an Allowed Claim in Class 4 or 5 will be determined by a number of factors, including the tax status of the holder, whether the Claim was a capital asset in the hands of the holder and how long it had been held, whether the Claim was originally issued at a discount or acquired at a market discount, and whether and to what extent the holder previously claimed a bad debt deduction in respect of the Claim.

In general, a holder's aggregate tax basis in the Membership Interests it receives will equal the fair market value of such securities, and the holding period for the interests and the rights will begin the day following the Distribution Date.

Holders may receive additional distributions as Disputed Claims are resolved. As such, any loss, and a portion of any gain, realized by such holders in respect of their Claims may be deferred until all distributions have been made with respect to Allowed Claims in Classes 4 and 5. Each holder is urged to consult its tax advisors regarding the possible application (or ability to elect out) of the "installment method" of reporting any gain that may be recognized by the holder in respect of its Claim. See also Section XIII.B.3 of this Disclosure Statement.

### **3. Treatment of Disputed Claims Reserves**

Pursuant to the Plan, the portions of the money or property distributable to holders of Administrative Claims and Claims in Classes 4 and 5 that are attributable to disputed Administrative Claims and Disputed Claims in

Classes 4 and 5 will be held in separate reserves pending the resolution of such Disputed Claims (the "Disputed Claims Reserves").

Under section 468B(g) of the IRC, amounts earned by an escrow account, settlement fund or similar fund must be subject to current tax. Although certain Treasury Regulations have been issued under this section, no Treasury Regulations have as yet been promulgated to address the tax treatment of such accounts established to satisfy claims similar to the Disputed Claims in Classes 4 and 5. Treasury Regulations have been proposed that would establish, if finalized in their current form, the tax treatment of reserves of a type similar to those involved here. In general, such Treasury Regulations would subject such a reserve to a separate entity-level tax, in a manner similar to a "qualified settlement fund" governed by Treasury Regulation sections 1.468B-1 *et seq.* As to reserves established prior to the proposed Treasury Regulations becoming final, the proposed Treasury Regulations provide that the IRS would not challenge any reasonable, consistently applied method of taxation for income earned by the reserve and any reasonable, consistently applied method for reporting such income.

Absent definitive guidance from the IRS or a court of competent jurisdiction to the contrary and subject to the issuance of definitive guidance, the Disbursing Agent will (a) treat the Disputed Claims Reserves as disputed ownership funds for federal income tax purposes, in accordance with Proposed Treasury Regulation section 1.468B-9 and (b) to the extent permitted by applicable law, report consistently for federal, state and local income tax purposes. In addition, pursuant to the Plan, all holders of Disputed Claims must report consistently with such treatment.

Accordingly, the Disbursing Agent will report, as subject to a separate entity level tax, any amounts earned by the Disputed Claims Reserves, and will pay taxes thereon.

In general, distributions from a Disputed Claims Reserve will be made net of any taxes paid with respect to earnings of the Disputed Claims Reserve that are included in the distribution to holders of Disputed Claims when such Claims become allowed as provided in the Plan. Such distributions generally should be taxable to the recipient in accordance with the principles discussed above. To the extent a Disputed Claim in Class 4 or 5 is disallowed, the Membership Interests that would otherwise be distributed to the holder of such Claim instead will be distributed to other holders of Claims in Classes 4 and 5.

Each holder of a Claim in Class 4 or 5 is therefore urged to consult its tax advisor regarding the potential tax treatment of the Disputed Claims Reserves, distributions therefrom and any tax consequences to such holder relating thereto.

#### **4. Information Reporting and Withholding**

All distributions to holders of Allowed General Unsecured Claims under the Plan are subject to reporting and any applicable tax (including employment tax) withholding. Under federal income tax law, interest, dividends and other reportable payments may, under certain circumstances, be subject to "backup withholding." Backup withholding generally applies if the holder (a) fails to furnish its social security number or other taxpayer identification number ("TIN"), (b) furnishes an incorrect TIN, (c) fails properly to report interest or dividends or (d) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is its correct number and that it is not subject to backup withholding. Backup withholding is not an additional tax but merely an advance payment, which may be refunded to the extent that it results in an overpayment of tax. Certain Persons are exempt from backup withholding, including, in certain circumstances, corporations and financial institutions.

### **XIV. APPLICABILITY OF CERTAIN FEDERAL AND STATE SECURITIES LAWS**

#### **A. GENERAL**

No registration statement will be filed under the Securities Act or any state securities laws with respect to the offer and distribution under the Plan of the Membership Interests, the Series A Rights and the Series B Rights. Globalstar and the other Debtors believe that the provisions of section 1145(a)(1) of the Bankruptcy Code exempt

the offer and distribution of the Membership Interests, the Series A Rights and the Series B Rights under the Plan from federal and state securities registration requirements.

Similarly, no registration statement will be filed under the Securities Act or any state securities laws with respect to the offer and sale of Membership Interests pursuant to the Series A Rights and Series B Rights. Globalstar and the other Debtors believe that the provisions of section 1145(a)(2) of the Bankruptcy Code exempt the offer and sale of Membership Interests upon exercise of the Series A Rights and Series B Rights for federal and state securities registration requirements.

## **B. EXEMPTIONS FROM REGISTRATION REQUIREMENTS**

### **1. Initial Offer and Sale of Securities**

Section 1145(a)(1) of the Bankruptcy Code exempts the offer and sale of securities under a chapter 11 plan from registration under the Securities Act and state securities laws if three principal requirements are satisfied: (a) the securities must be offered and sold under a plan and must be securities of the debtor, an affiliate participating in a joint plan with the debtor or a successor to the debtor under the plan; (b) the recipients of the securities must hold a pre-petition or administrative expense claim against the debtor or an interest in the debtor; and (c) the securities must be issued entirely in exchange for the recipient's claim against or interest in the debtor, or principally in such exchange and partly for cash or property. The Debtors believe that the offer and sale of the Membership Interests, the Series A Rights and the Series B Rights under the Plan satisfy the requirements of section 1145(a)(1) of the Bankruptcy Code and, therefore, are exempt from registration under the Securities Act and state securities laws.

Section 1145(a)(2) of the Bankruptcy Code exempts the offer of a security through any warrant, option, right to subscribe or conversion privilege that was sold in the manner specified in section 1145(a)(1) of the Bankruptcy Code, and the sale of a security upon the exercise of such a warrant, option, right to subscribe or conversion privilege, from registration under the Securities Act and state securities laws. Globalstar and the other Debtors believe that the offer and sale of Membership Interests upon exercise of the Series A Rights and Series B Rights satisfy the requirements of section 1145(a)(2) of the Bankruptcy Code and are, therefore, exempt from registration under the Securities Act and state securities laws.

### **2. Subsequent Transfers of Securities under Federal Law**

New Globalstar does not contemplate registering the Membership Interests under the Exchange Act for an initial period of 24 to 30 months following the Interest Acquisition Date. As a result, New Globalstar will not be subject to the reporting obligations under the Exchange Act.

The Series A Rights and Series B Rights are non-transferable rights.

In general, all resales of and subsequent transactions in the Membership Interests distributed under the Plan and the Membership Interests issued upon exercise of the Series A Rights and Series B Rights will be exempt from registration under the Securities Act pursuant to Section 4(1) of the Securities Act, unless the holder thereof is deemed to be an "affiliate" of New Globalstar or an "underwriter" with respect to such securities. Rule 144 under the Securities Act defines "affiliate" of an issuer as any person directly or indirectly through one or more intermediaries controlling, controlled by or under common control with the issuer. Section 1145(b) of the Bankruptcy Code defines four types of "underwriters":

- ?? Persons who purchase a claim against, an interest in or a claim for administrative expense against the debtor with a view to distributing any security received in exchange for such claim or interest ("accumulators");
- ?? Persons who offer to sell securities offered under a plan for the holders of such securities ("distributors");

- ?? Persons who offer to buy securities from the holders of such securities, if the offer to buy is (a) with a view to distributing such securities and (b) made under a distribution agreement; and
- ?? A person who is an "issuer" with respect to the securities, as the term "issuer" is defined in Section 2(11) of the Securities Act.

Under Section 2(11) of the Securities Act, an "issuer" includes any "affiliate" of the issuer. Whether or not any particular person would be deemed to be an "affiliate" of New Globalstar or an "underwriter" with respect to Membership Interests distributed pursuant to the Plan or the Membership Interests issued upon exercise of the Series A Rights and Series B Rights would depend upon various facts and circumstances applicable to that person. Accordingly, the Debtors express no view as to whether any person would be deemed to be an "affiliate" of New Globalstar or an "underwriter" with respect to Membership Interests distributed pursuant to the Plan or Membership Interests issued upon exercise of the Series A Rights and Series B Rights.

Rule 144 provides an exemption from registration under the Securities Act for certain limited public resales of unrestricted securities by "affiliates" of the issuer of such securities. Rule 144 allows a holder of unrestricted securities that is an "affiliate" of the issuer of such securities to sell, without registration, within any three-month period a number of shares of such unrestricted securities that does not exceed the greater of 1% of the number of outstanding securities in question or the average weekly trading volume in the securities in question during the four calendar weeks preceding the date on which notice of such sale was filed pursuant to Rule 144, subject to the satisfaction of certain other requirements of Rule 144 regarding the manner of sale, notice and the availability of current public information regarding the issuer. New Globalstar will not be a reporting company under the Exchange Act following the Effective Date and for a lengthy period thereafter, and the Rule 144 exemption will not be available to holders of the Membership Interests distributed pursuant to the Plan or the Membership Interests issued upon the exercise of the Series A Rights and Series B Rights until such time, if ever, as New Globalstar becomes a reporting company.

In connection with prior bankruptcy cases, the staff of the SEC has taken the position that resales by accumulators and distributors of securities distributed under a chapter 11 plan that are not "affiliates" of the issuer are exempt from registration under the Securities Act if effected in "ordinary trading transactions." The staff of the SEC has indicated in this context that a transaction may be considered an "ordinary trading transaction" if it is made on an exchange or in the over-the-counter market and does not involve any of the following factors:

- ?? Either (a) concerted action by the recipients of securities issued under a plan in connection with the sale of such securities or (b) concerted action by distributors on behalf of one or more such recipients in connection with such sales;
- ?? The use of informational documents concerning the offering of the securities prepared or used to assist in the resale of such securities, other than a bankruptcy court-approved disclosure statement and supplements thereto and documents filed with the SEC pursuant to the Exchange Act; or
- ?? The payment of special compensation to brokers and dealers in connection with the sale of such securities designed as a special incentive to the resale of such securities (other than the compensation that would be paid pursuant to arms' length negotiations between a seller and a broker or dealer, each acting unilaterally, not greater than the compensation that would be paid for a routine similar-sized sale of similar securities of a similar issuer).

*Since New Globalstar will not be a reporting company under the Exchange Act on the Effective Date and for a significant period of time thereafter, the "ordinary trading transactions" exemption will not be available to holders of the Membership Interests distributed pursuant to the Plan or the Membership Interests issued upon exercise of the Series A Rights and Series B Rights. At such time, if ever, as New Globalstar becomes a reporting company under the Exchange Act, no assurance can be given regarding the proper application of the "ordinary*

*trading transaction" exemption described above. Any persons intending to rely on such exemption at such future time are urged to consult their own counsel as to the applicability thereof to any particular circumstances.*

GIVEN THE COMPLEX NATURE OF THE QUESTION OF WHETHER A PARTICULAR PERSON MAY BE AN "AFFILIATE" OF NEW GLOBALSTAR OR AN "UNDERWRITER" WITH RESPECT TO MEMBERSHIP INTERESTS DISTRIBUTED PURSUANT TO THE PLAN OR MEMBERSHIP INTERESTS ISSUED UPON EXERCISE OF THE SERIES A RIGHTS OR SERIES B RIGHTS, THE DEBTORS MAKE NO REPRESENTATIONS CONCERNING THE RIGHT OF ANY PERSON TO TRADE IN SUCH SECURITIES AND RECOMMEND THAT HOLDERS OF CLAIMS AND INTERESTS CONSULT THEIR OWN COUNSEL CONCERNING WHETHER THEY MAY FREELY TRADE SUCH SECURITIES.

### **3. Subsequent Transfers under State Law**

If a security is listed on a national securities exchange or quoted on The Nasdaq National Market (*i.e.*, a "covered security" for purposes of the Securities Act), it is generally freely tradable under state securities laws, as state securities laws generally provide registration exemptions for subsequent transfers by a bona fide owner for the owner's own account and subsequent transfers to institutional or accredited investors. Since the Membership Interests distributed pursuant to the Plan and the Membership Interests issued upon exercise of the Series A Rights and Series B Rights will not be registered under the Exchange Act on the Effective Date, any such listing or quotation will be unavailable. Until the Membership Interests are listed on either a national securities exchange or quoted on The Nasdaq National Market, the Membership Interests will not be freely tradable under state securities laws unless there is an available exemption from registration under such laws. As of the date of this Disclosure Statement, there is no intention on the part of New Globalstar to seek to have the Membership Interests listed on a national securities exchange or quoted on The Nasdaq National Market. It is possible, however, that the registration exemptions for subsequent transfers to institutional or accredited investors may enable holders of Membership Interests distributed pursuant to the Plan and Membership Interests issued upon exercise of the Series A Rights and Series B Rights distributed under the Plan to effect secondary market transactions in such securities without registration under state securities laws. Moreover, a majority of states provide an exemption from registration for secondary market transactions under the so-called "manual exemption" if financial and other information about an issuer is published in certain manuals published by Moody's Investors Services, Inc. or Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc. However, there can be assurance that New Globalstar will provide the necessary information in order to be able to take advantage of such manual exemptions.

## **XV. ALTERNATIVES TO CONFIRMATION AND CONSUMMATION OF THE PLAN**

If the Plan is not confirmed and consummated, the Debtors' alternatives include (a) liquidation of the Debtors under chapter 7 of the Bankruptcy Code and (b) the preparation and presentation of an alternative chapter 11 plan or plans.

### **A. LIQUIDATION UNDER CHAPTER 7**

If no chapter 11 plan can be confirmed, the Chapter 11 Cases may be converted to cases under chapter 7 of the Bankruptcy Code in which a trustee would be elected or appointed to liquidate the assets of the Debtors. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of holders of Claims is set forth in Exhibit C hereto. For the reasons set forth in Exhibit C, the Debtors believe that liquidation under chapter 7 would result in, among other things, smaller distributions being made to creditors than those provided for in the Plan.

### **B. ALTERNATIVE PLAN**

If the Plan is not confirmed, the Debtors or any other party in interest could attempt to formulate a different plan to liquidate the Debtors' remaining assets, which, assuming the consummation of the transaction contemplated by the Asset Contribution Agreement, will consist principally of an 18.75% Membership Interest. If such transaction is not consummated, the Plan will not become effective. The Debtors have concluded that the Plan represents the best alternative to protect the interests of creditors and other parties in interest.

## **XVI. CONCLUSION AND RECOMMENDATION**

The Debtors believe that confirmation and implementation of the Plan is preferable to any of the alternatives described above because it will provide the greatest recoveries to holders of Claims. Other alternatives would involve significant delay, uncertainty and substantial additional administrative costs. The Debtors urge holders of impaired Claims entitled to vote on the Plan to accept the Plan and to evidence such acceptance by returning their Ballots so that they will be received no later than 5:00 p.m., Pacific time, on June 7, 2004.

Dated: May 3, 2004

Respectfully submitted,

Globalstar, L.P. (for itself and on behalf of  
the GLP Subsidiary Debtors)

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