LORAL SPACE & COMMUNICATIONS INC.
Form 10-K
March 15, 2011

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

OR

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

Commission file number 1-14180
LORAL SPACE & COMMUNICATIONS INC.
(Exact name of registrant specified in the charter)
Jurisdiction of incorporation: Delaware
IRS identification number: 87-0748324
600 Third Avenue
New York, New York 10016
(Address of principal executive offices)
Telephone: (212) 697-1105
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, $.01 par value	**NASDAQ**

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o **No** þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o **No** þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, and accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Ruler 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Smaller reporting company o

(Do not check if a smaller reporting company)

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

At March 1, 2011, 21,149,598 shares of the registrant s voting common stock and 9,505,673 shares of the registrant s non-voting common stock were outstanding.

As of June 30, 2010, the aggregate market value of the common stock, the only common equity of the registrant currently issued and outstanding, held by non-affiliates of the registrant, was approximately $520,752,485

Indicate by a check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes þ No o

Documents incorporated by reference are as follows:

Document	Part and Item Number of Form 10-K into which incorporated
Loral Notice of Annual Meeting of Stockholders and Proxy Statement for the Annual Meeting of Stockholders to be held May 24, 2011	Part II, Item 5(d) Part III, Items 11 through 14

LORAL SPACE AND COMMUNICATIONS INC.
INDEX TO ANNUAL REPORT ON FORM 10-K
For the Year Ended December 31, 2010

PART I

Table of Contents

PART I

Item 1. ***Business***

THE COMPANY

Overview

Loral Space & Communications Inc., together with its subsidiaries (Loral , the Company , we , our and us), is a l satellite communications company engaged in satellite manufacturing with ownership interests in satellite-based communications services. The term Parent Company is a reference to Loral Space & Communications Inc., excluding its subsidiaries.

Loral has two segments:

Satellite Manufacturing:

Our subsidiary, Space Systems/Loral, Inc. (SS/L), designs and manufactures satellites, space systems and space system components for commercial and government customers whose applications include fixed satellite services (FSS), direct-to-home (DTH) broadcasting, mobile satellite services (MSS), broadband data distribution, wireles telephony, digital radio, digital mobile broadcasting, military communications, weather monitoring and air traffic management.

Satellite Services:

Loral participates in satellite services operations principally through its 64% economic interest in Telesat Holdings Inc. (Telesat Holdco), which owns Telesat Canada (Telesat), a leading global FSS provider, with industry leading backlog, and one of only three FSS providers operating on a global basis. Telesat owns and leases a satellite fleet that operates in geosynchronous earth orbit approximately 22,000 miles above the equator. In this orbit, satellites remain in a fixed position relative to points on the earth s surface and provide reliable, high-bandwidth services anywhere in their coverage areas, serving as the backbone for many forms of telecommunications.

Segment Overview

Satellite Manufacturing

SS/L is a designer, manufacturer and integrator of powerful satellites and satellite systems for commercial and government customers worldwide. SS/L s design, engineering and manufacturing capabilities have allowed it to develop a large portfolio of highly engineered, mission-critical satellites and secure a strong industry presence. This position provides SS/L with the ability to produce satellites that meet a broad range of customer requirements for broadband internet service to the home, mobile video and internet service, broadcast feeds for television and radio distribution, phone service, civil and defense communications, direct-to-home television broadcast, satellite radio, telecommunications backhaul and trunking, weather and environment monitoring and air traffic control. In addition, SS/L has applied its design and manufacturing expertise to produce spacecraft subsystems, such as batteries for the International Space Station, and to integrate government and other add-on missions on commercial satellites, which are referred to as hosted payloads.

As of December 31, 2010, SS/L had $1.6 billion in backlog for 20 satellites for customers including Intelsat Global S.A., SES S.A., Telesat Holdings Inc., Hispasat, S.A., EchoStar Corporation, Sirius-XM Satellite Radio, TerreStar Corporation, Asia Satellite Telecommunications Co. Ltd., Hughes Network Systems, LLC, ViaSat, Inc., Eutelsat/ictQatar, DIRECTV, Satélites Mexicanos, S.A. de C.V. and Asia Broadcast Satellite.

Table of Contents

Since SS/L s inception, it has delivered more than 240 satellites, which have achieved more than 1,700 years of cumulative on-orbit service. SS/L s satellite platform accommodates some of the world s highest-power payloads for television, radio and multimedia broadcast. SS/L is the only manufacturer to have produced to date high-power commercial satellites greater than 18-kW at end-of-life, or EOL. In addition, SS/L is the first manufacturer to utilize a commercial ground-based beam forming, or GBBF, system, which allows ground system upgrades to adjust for changes in service usage. For the period from 2005 through December 31, 2010, SS/L-built satellites have had no satellite hardware operational failures resulting in insurance claim payments.

Satellite demand is driven by fleet replacement cycles, increased video, internet and data bandwidth demand and new satellite applications. SS/L expects its future success to derive from maintaining and expanding its share of the satellite construction contracts based on engineering, technical and manufacturing leadership; its value proposition and record of reliability; the increased demand for new applications requiring high power and capacity satellites such as HDTV, 3-D TV and broadband; and SS/L s expansion of governmental contracts based on its record of reliability and experience with fixed-price contract manufacturing. We also expect SS/L to benefit from the increased revenues from larger and more complex satellites. As such, increased revenues as well as system and supply chain management improvements should enable SS/L to continue to improve its profitability.

SS/L products span the entire commercial market segment and SS/L s customers include satellite service operators across all satellite-based applications. SS/L s highly flexible satellite platform accommodates a broad range of applications such as regional and spot-beam technology and hybrid systems that maximize the value of orbital slot locations. As a result, SS/L is well-positioned for the next stage of growth, including (i) additional satellites for existing customers, (ii) satellites for new customers, both established and those developing new services and (iii) government satellites, both U.S. government, or USG, and non-USG, as well as government hosted payloads and space subsystems.

Market and Competition

SS/L participates in the highly competitive commercial satellite manufacturing industry principally on the basis of superior customer relationships, technical excellence, reliability and pricing. Other competitors for satellite manufacturing contracts include Boeing, Lockheed Martin and Orbital Sciences in the U.S., Thales Alenia Space and EADS Astrium in Europe and Mitsubishi Electric Corporation in Japan. SS/L s continued success depends on its ability to provide highly reliable satellites on a cost-effective and timely basis. SS/L may also face competition in the future from emerging low-cost competitors in India, Russia and China. The number of satellite manufacturing contracts awarded varies annually and is difficult to predict. For example, based on readily available industry information, we believe that, while only two contracts for mid- and high-power (8 kW or higher) commercial satellites were awarded worldwide in 2002, there were 17 and 21 contracts awarded in 2010 and 2009, respectively. The current economic environment may adversely affect the satellite market in the near-term. While we expect the replacement market to be reliable over the next year, given the current credit crisis, potential customers that are highly leveraged or in the development stage may not be able to obtain the financing necessary to purchase satellites.

Satellite Manufacturing Performance[(1)]

	Year ended December 31,		
	2010	2009	2008
	(In millions)		
Total segment revenues	$ 1,165	$ 1,008	$ 881
Eliminations	(6)	(15)	(12)
Revenues from satellite manufacturing as reported	$ 1,159	$ 993	$ 869
Segment Adjusted EBITDA before eliminations	$ 143	$ 91	$ 45

(1)

See Consolidated Operating Results in Management s Discussion and Analysis of Financial Condition and Results of Operations for significant items that affect comparability between the periods presented (see Note 15 to the Loral consolidated financial statements for the definition of Adjusted EBITDA).

Table of Contents

Total SS/L assets, located primarily in California, were $921 million and $864 million as of December 31, 2010 and 2009, respectively. The increase is primarily due to growth in gross orbital receivables of $71 million in 2010. Total SS/L assets were $799 million as of December 31, 2008. Backlog at December 31, 2010 was $1.6 billion. This included $219 million of backlog for the construction of Telstar 14R, Nimiq 6 and Anik G1 for Telesat and the intercompany portion of ViaSat-1. Backlog at December 31, 2009 was $1.6 billion. This included $225 million of backlog for the construction of Telstar 14R and Nimiq 6 for Telesat and the intercompany portion of ViaSat-1. It is expected that approximately 64% of the backlog as of December 31, 2010, will be recognized as revenues during 2011. During 2010, revenues from EchoStar Corporation, Hughes Network Systems, LLC, Intelsat Global S.A., SES S.A. and Telesat Holdings Inc. were each individually greater than 10% of our total revenues.

Satellite Services

As of December 31, 2010, Telesat had 12 in-orbit satellites and three satellites under construction, one of which is 100% leased for at least the design life of the satellite. Telesat provides video distribution and DTH video, as well as end-to-end communications services using both satellite and hybrid satellite-ground networks.

Telesat categorizes its satellite services operations into broadcast, enterprise services and consulting and other, as follows:

Broadcast:

DTH. Both Canadian DTH service providers (Bell TV and Shaw Direct) use Telesat s satellites as a distribution platform for their services, delivering television programming, audio and information channels directly to customers homes. In addition, Telesat s Anik F3 and Nimiq 5 satellites are used by EchoStar (Dish Network) for DTH services in the United States.

Video Distribution. Major broadcasters, cable networks and DTH service providers use Telesat satellites for the full-time transmission of television programming. Additionally, certain broadcasters and DTH service providers bundle value-added services that include satellite capacity, digital encoding of video channels and uplinking and downlinking services to and from Telesat satellites and teleport facilities. Telstar 18 delivers video distribution and contribution throughout Asia and offers connectivity to the U.S. mainland via Hawaiian teleport facilities; Telstar 12 is also used to transmit television services. In both Brazil and Chile, Telesat provides video distribution services on Telstar 14/Estrela do Sul.

Occasional Use Services. Occasional use services consist of satellite transmission services for the timely broadcast of video news, sports and live event coverage on a short-term basis enabling broadcasters to conduct on-the-scene transmissions using small, portable antennae.

Enterprise Services:

Data networks in North America and the related ground segment and maintenance services supporting these networks. Telesat operates very small aperture terminal, or VSAT, networks in North America, managing thousands of VSAT terminals at customer sites. For some of these customers Telesat offers end-to-end services including installation and maintenance of the end user terminal, maintenance of the VSAT hub, and provision of satellite capacity. Other customers may be provided a subset of these services. Examples of North American data network services include point of sale services for customers in Canada and communications services to remote locations for the oil and gas industry.

International Enterprise Networks. Telesat provides Internet Protocol-based terrestrial extension services that allow enterprises to reach multiple locations worldwide many of which cannot be connected via terrestrial means. In addition, these managed services also enable multi-cast and broadcast functionality, as with traditional video broadcast distribution, which takes full advantage of satellite s one to many attributes. These services are delivered to enterprises whose headquarters are typically in the United States or Europe through both terrestrial partners and directly.

Ka-band Internet Services. Telesat provides Ka-band, two-way broadband Internet services in Canada through Barrett Xplore Inc. and other resellers, and Ka-band satellite capacity to WildBlue which uses it to provide services in the United States.

Table of Contents

Telecommunication Carrier Services. Telesat provides satellite capacity and end-to-end services for data and voice transmission to telecommunications carriers located throughout the world. These services include (i) connectivity and voice circuits to remote locations in Canada for customers such as Bell Canada and NorthwesTel and (ii) space segment capacity and terrestrial facilities for Internet backhaul and access, GSM backhaul, and services such as rural telephony to carriers around the world.

Government Services. The United States Government is the largest single consumer of fixed satellite services in the world and a significant user of Telesat s international satellites. Over the course of several years, Telesat has implemented a successful strategy to sell through government service integrators, rather than directly to United States Government agencies. Satellite services are also provided to the Canadian Government, including a variety of services from a maritime network for a Canadian Government entity to protected satellite capacity to the Department of National Defense for the North Warning System.

Consulting & Other:

Consulting operations allow for increased operating efficiencies by leveraging Telesat s existing employees and facility base. With over 40 years of engineering and technical experience, Telesat is a leading consultant in establishing, operating and upgrading satellite systems worldwide, having provided services to businesses and governments in over 35 countries across six continents. In 2010, the international consulting business provided satellite-related services in approximately 20 countries.

Telesat is the fourth largest FSS operator in the world and the largest in Canada, with a strong and growing business. It has a leading position as a provider of satellite services in the North American video distribution market. Telesat provides services to both of the major DTH providers in Canada, Bell TV and Shaw Direct, which together have approximately 2.9 million subscribers, as well as to EchoStar (Dish Network) in the United States, which has over 14 million subscribers. Its international satellites are well positioned in emerging, high growth markets and serve high value customers in those markets. Telstar 11N provides service to American, European and African regions and aeronautical and maritime markets of the Atlantic Ocean Region. Telstar 12 provides intercontinental connectivity from the Americas to the Middle East. Telstar 14/Estrela do Sul offers high powered coverage of the Americas, the Gulf of Mexico, the Caribbean and the North Atlantic Ocean Region (NAOR). Telstar 18 delivers video distribution and contribution throughout Asia and offers connectivity to the US mainland via Hawaiian teleport facilities. Telesat s current enterprise services customers include leading telecommunications service providers as well as a range of network service providers and integrators, which provide services to enterprises, governments and international agencies and multiple ISPs.

Telesat offers its broad suite of satellite services to more than 400 customers worldwide, which include some of the world s leading television broadcasters, cable programmers, DTH service providers, ISPs, telecommunications carriers, corporations and government agencies. Over 40 years of operation, Telesat has established long-term, collaborative relationships with its customers and has developed a reputation for creating innovative solutions and providing services essential for its customers to reach their end users. Telesat s customers represent some of the strongest and most financially stable companies in their respective industries. These customers frequently commit to long-term contracts for its services, which enhances the predictability of its future revenues and cash flows and supports its future growth.

Telesat s North American Broadcast and Enterprise Services customer service contracts are typically multi-year in duration and, in the past, Telesat has successfully contracted all or a significant portion of a satellite s capacity prior to commencing construction.

Market and Competition

Telesat is one of three global FSS operators. Telesat competes against other global, regional and national FSS operators and, for certain services and in certain regions with providers of terrestrial-based communications services.

Table of Contents

Fixed Satellite Operators

The other two global FSS operators are Intelsat Global S.A. (Intelsat) and SES S.A. (SES). Telesat also competes with a number of nationally or regionally focused FSS operators around the world, including Eutelsat S.A. (Eutelsat), the third largest FSS operator in the world.

Intelsat, SES and Eutelsat are each substantially larger than Telesat in terms of both the number of satellites they have in-orbit as well as their revenues. Telesat believes that Intelsat and its subsidiaries together have a global fleet of over fifty satellites, that SES and its subsidiaries have a fleet of over forty satellites, and that Eutelsat and its subsidiaries have a fleet of over twenty satellites and additional capacity on another three satellites. Due to their larger sizes, these operators are able to take advantage of greater economies of scale, may be more attractive to customers, and may (depending on the specific satellite and orbital location in question) have greater flexibility to restore service to their customers in the event of a partial or total satellite failure. In addition, their larger sizes may enable them to devote more resources, both human and financial, to sales, operations, product development and strategic alliances and acquisitions.

Regional and domestic providers: Telesat also competes against regional FSS operators, including:

in North America: Ciel, ViaSat/WildBlue, HNS, EchoStar, Satmex and Hispamar;

in Europe, Middle East, Africa: Eutelsat, Arabsat, Nilesat, HellasSat, Turksat and Spacecom;

in Asia: AsiaSat, Measat, Thaicom, APT, PT Telkom, Optus and Asia Broadcast Satellite; and

in Latin America: Satmex, Star One, Arsat, HispaSat and Hispamar.

A number of other countries have domestic satellite systems against which Telesat competes in those markets. In Canada, Telesat s largest market, Ciel, whose majority equity shareholder is SES, has begun operations in the DBS band, successfully launched Ciel 2 in 2008, and in February 2009 announced that it had begun providing commercial service on Ciel 2 at the 129° WL orbital location. In June 2008, Industry Canada granted Ciel six approvals in principle to develop and operate satellite services in other frequency bands and orbital positions.

The Canadian Government opened Canadian satellite markets to foreign satellite operators as part of its 1998 World Trade Organization commitments to liberalize trade in basic telecommunications services. As of February 2011, approximately 74 non-Canadian FSS satellites are listed as having been approved by Industry Canada for use in Canada. Three of these are Telesat satellites licensed by other administrations. The growth in satellite service providers using or planning to use Ka-band, including ViaSat/WildBlue, Eutelsat, HNS, Yahsat and others, will result in increased competition.

Terrestrial Service Providers

Providers of terrestrial-based communications services compete with satellite operators. Increasingly, in developed and developing countries alike, governments are providing funding and other incentives to encourage the expansion of terrestrial networks resulting in increased competition for FSS operators.

Consulting Services

The market for satellite consulting services is generally comprised of a few companies qualified to provide services in specific areas of expertise. Telesat s competitors are primarily United States- and European-based companies.

Satellite Fleet & Ground Resources

As of December 31, 2010, Telesat had 12 in-orbit satellites and three satellites under construction, one of which is 100% leased for at least the design life of the satellite.

Table of Contents

Telesat also has ground facilities located around the world, providing both control services to its satellite fleet, as well as to the satellites of other operators as part of its consulting services offerings. It has two control centers located in Ottawa, Ontario and Allan Park, Ontario. A third control center, in Rio de Janeiro, Brazil is used to operate Telstar 14/Estrela do Sul. In addition, Telesat leases other technical facilities that provide customers with a host of teleport and hub services.

Telesat s North American focused fleet is comprised of three owned FSS satellites, Anik F1-R, Anik F2 and Anik F3, and four owned direct broadcast services, or DBS, satellites, Nimiq 1, Nimiq 2, Nimiq 4 and Nimiq 5. Telesat s international fleet is comprised of five owned FSS satellites, Anik F1, Telstar 11N, Telstar 12, Telstar 14/Estrela do Sul and Telstar 18.

The table below summarizes selected data relating to Telesat s owned and leased in-orbit satellites as of December 31, 2010**:**

	Orbital Location Regions Covered	Launch Date	Manufacturer s End-of-Service Life	Expected End-of-Orbital Maneuver Life	Transponders[1] C-band[1] Ku-band[2] Ka-band[2] L-band[3]	Model
Nimiq 1	91.1° WL Canada, Continental United States	May 1999	2011	2024	32@24MHz	A2100 AX (Lockheed Martin)
Nimiq 2[4]	91.1° WL Canada, Continental United States	December 2002	2015	2021	11@24MHz	A2100 AX (Lockheed Martin)
Nimiq 4	82° WL Canada	September 2008	2023	2027	32@24MHz	8@54MHz	E3000 (EADS Astrium)
Nimiq 5	72.7° WL Canada, Continental United States	September 2009	2024	2035	32@24MHz	SS/L 1300
Anik F1[5]	107.3° WL South America	November 2000	2016	2018	18@36MHz	BSS702 (Boeing)
Anik F2	111.1° WL Canada, Continental United States	July 2004	2019	2024	24@36MHz 6@500MHz	6@54/72MHz 1@54/112MHz	BSS702 (Boeing)
Anik F1R[3]	107.3° WL North America	September 2005	2020	2024	24@36MHz	12@20MHz	E3000 (EADS Astrium)
Anik F3	118.7° WL Canada, Continental United States	April 2007	2022	2026	24@36MHz 2@72MHz (500MHz)	E3000 (EADS Astrium)
Telstar 11N	37.55° WL North and Central America,	February 2009	2024	2026	39@27/54MHz	SS/L 1300

	Europe, Africa and the maritime Atlantic Ocean region					
Telstar 12[6]	15° WL Eastern United States, SE Canada, Europe, Russia, Middle East, South Africa, portions of South and Central America	October 1999	2012	2016	37@54MHz	SS/L 1300
Telstar 14/Estrela do Sul	63° WL Brazil And portions of Latin America, North America, Atlantic Ocean	January 2004	2019	2011	9@72MHz 9@36MHz 2@28MHz 1@56MHz	SS/L 1300
Telstar 18[7]	138° EL India, South East Asia, China, Australia And Hawaii	June 2004	2017	2018	18@36MHz 1@54MHz	SS/L 1300

(1) Telesat s current estimate of when each satellite will be decommissioned, taking account of anomalies and malfunctions the satellites have experienced to date and other factors such as remaining fuel levels, consumption rates and other available engineering data. These estimates are subject to change and it is possible that the actual orbital maneuver life of any of these satellites will be shorter than Telesat currently anticipates. Further, it is anticipated that the payload capacity of each satellite may be reduced prior to the estimated end of commercial service life. For example, Telesat currently anticipates that it will need to commence the turndown of transponders on Anik F1, as a result of further degradation in available power.

(2) Includes the DBS Ku-Band, extended C-band and extended Ku-band in certain cases.

(3) Telesat does not provide service in the L-band. The L-band payload is licensed to Telesat s customer by the FCC.

(4) It is expected that the available capacity in Nimiq 2 will be reduced over time as a result of power system limitations due to malfunctions affecting available power. The number of Ku-band transponders stated above refers to the number of active saturated Ku-band transponders as of December 31, 2010.

(5) Anik F1 s orbital maneuver life is constrained by power availability.

(6) Telstar 12 has 38 54 MHz transponders. Four of these transponders are leased to Eutelsat to settle coordination issues and Telesat leases back three of these transponders.

Table of Contents

(7) Includes 16.6 MHz of C-band capacity provided to the Government of Tonga in lieu of a cash payment for the use of the orbital location. The satellite carries additional transponders (the APT transponders), not shown on the table, as to which APT has a prepaid lease through the end of life of the satellite in consideration for APT s funding a portion of the satellite s cost. This transaction was accounted for as a sales-type lease, because substantially all of the benefits and risks incident to the ownership of the leased transponders were transferred to APT. Telesat has agreed with APT among other things that if Telesat is able to obtain the necessary approvals and licenses from the U.S. government under U.S. export laws, it would transfer title to the APT transponders on Telstar 18 to APT, as well as a corresponding interest in the elements on the satellite that are common to or shared by the APT transponders and the Telesat transponders. As required under its agreement with APT, Telesat acquired two transponders from APT for an additional payment in August 2009.

In addition, Telesat has the rights to the following satellite capacity to end of life of these satellites:

Satmex 5: Three-36MHz Ku-band transponders;

Satmex 6: Two-36MHz C-band transponders; Two-36MHz Ku-band transponders; and

Agila 2 (Mabuhay): Two-36MHz C-band transponders and five and one half 36 MHz Ku-band transponders

The table below summarizes selected data relating to Telesat s satellites under construction as of December 31, 2010:

	Telstar 14R/Estrela do Sul 2	**Nimiq 6**	**Anik G1**
Orbital Location	63º WL	TBD	107.3° WL
Regions Covered	South America, Continental US, Andean Region, North and Mid-Atlantic Ocean Region	Canada, Continental US	Canada, Continental US, South America, Pacific Ocean
Planned In-Service Date	Second half of 2011	Mid-2012	Second half of 2012
Manufacturer s End-of-Service-Life	2026	2027	2027
Customer Committed Capacity	N/A	100%	35%
Transponders:			
Ku-band	58 @36 MHz	32 @ 24 MHz	16 @ 27 MHz 12 @ 36 MHz
C-band			24 @ 36 MHz
X-band			3 @ 36 MHz
Model	SS/L 1300	SS/L 1300	SS/L 1300

Satellite Services Performance[(1)]

Until October 31, 2007, the operations of our satellite services segment were conducted through Loral Skynet Corporation (Loral Skynet), which leased transponder capacity to commercial and government customers for video distribution and broadcasting, high-speed data distribution, Internet access and communications, and provided managed network services to customers using a hybrid satellite and ground-based system. It also provided professional services such as fleet operating services to other satellite operators. At October 31, 2007, Loral Skynet had four in-orbit satellites and had one satellite under construction at SS/L.

Table of Contents

On October 31, 2007, Loral and its Canadian partner, Public Sector Pension Investment Board (PSP), through Telesat Holdco, a newly-formed joint venture, completed the acquisition of Telesat from BCE Inc. (BCE). In connection with this acquisition, Loral transferred on that same date substantially all of the assets and related liabilities of Loral Skynet to Telesat. We refer to this acquisition and transfer of assets and liabilities of Loral Skynet as the Telesat transaction. Loral holds a 64% economic interest and a $33^1/_3$% voting interest in Telesat Holdco (see Note 6 to the Loral consolidated financial statements). We use the equity method of accounting for our investment in Telesat Holdco.

	Year ended December 31,		
	2010	2009	2008
	(In millions)		
Revenue:			
Total segment revenues	$ 797	$ 692	$ 685
Affiliate eliminations[2]	(797)	(692)	(685)
Revenues from satellite services as reported	$	$	$
Adjusted EBITDA:			
Total segment Adjusted EBITDA	$ 607	$ 488	$ 436
Affiliate eliminations[2]	(607)	(488)	(427)
Adjusted EBITDA from satellite services after eliminations	$	$	$ 9

(1) See Consolidated Operating Results in Management s Discussion and Analysis of Financial Condition and Results of Operations for significant items that affect comparability between the periods presented (see Note 15 to the consolidated financial statements for the definition of Adjusted EBITDA).

(2) Affiliate eliminations represent the elimination of amounts attributable to Telesat.

Total Telesat assets were $5.3 billion, $5.0 billion and $4.3 billion as of December 31, 2010, 2009 and 2008, respectively. Backlog was approximately $5.5 billion and $5.2 billion as of December 31, 2010 and 2009, respectively. The increases in backlog and asset carrying value are primarily due to exchange rate changes. It is expected that approximately 11% of the backlog at December 31, 2010 will be recognized as revenue in 2011.

We use the equity method of accounting for our investment in Telesat Holdco, and its results are not consolidated in our financial statements. Our share of the operating results from our investment in this company is included in equity in net income (losses) of affiliates in our consolidated statements of operations and our investment is included in investments in affiliates in our consolidated balance sheet.

Other

We also own 56% of XTAR, LLC (XTAR), a joint venture between Loral and Hisdesat Servicios Estrategicos, S.A. (Hisdesat). XTAR owns and operates an X-band satellite, XTAR-EUR located at 29 E.L., which entered service in March 2005. The satellite is designed to provide X-band communications services exclusively to United States, Spanish and allied government users throughout the satellite s coverage area, including Europe, the Middle East and Asia. The government of Spain granted XTAR rights to an X-band license, normally reserved for government and military use, to develop a commercial business model for supplying X-band capacity in support of military, diplomatic and security communications requirements. XTAR also leases 7.2 72 MHz X-band transponders on the Spainsat satellite located at 30º W.L. owned by Hisdesat, which entered commercial service in April 2006. These transponders, designated as XTAR-LANT, allow XTAR to provide its customers in the U.S. and abroad with additional X-band services and greater flexibility. XTAR currently has contracts to provide X-band services to the U.S. Department of Defense, U.S. Department of State, various agencies of the Spanish Government, the Belgium Ministry of Defense, the Norwegian Ministry of Defense and the Danish armed forces. For more information on XTAR see Note 6 to the

Loral consolidated financial statements.

REGULATION

Satellite Manufacturing

Export Regulation and Economic Sanctions Compliance

Commercial communication satellites and certain related items, technical data and services, are subject to United States export controls. These laws and regulations affect the export of products and services to foreign launch providers, subcontractors, insurers, customers, potential customers and business partners, as well as to foreign Loral employees, foreign regulatory bodies, foreign national telecommunications authorities and foreign persons generally. Commercial communications satellites and certain related items, technical data and services are on the United States Munitions List and are subject to the Arms Export Control Act and the International Traffic in Arms Regulations. Export jurisdiction over these products and services resides in the U.S. Department of State. Other Loral exports are subject to the jurisdiction of the U.S. Department of Commerce, pursuant to the Export Administration Act and the Export Administration Regulations.

Table of Contents

U.S. Government licenses or other approvals generally must be obtained before satellites and related items, technical data and services are exported and may be required before they are re-exported or transferred from one foreign person to another foreign person. For example, U.S. Government licenses or approvals generally will have to be obtained for the transfer of technical data and defense services between Loral and Telesat, and between Telesat and its U.S. subsidiaries. There can be no assurance that such licenses or approvals will be granted. Also, licenses or approvals may be granted with limitations, provisos or other requirements imposed by the U.S. Government as a condition of approval, which may affect the scope of permissible activity under the license or approval.

In addition, if a satellite project involves countries, individuals or entities that are the subject of U.S. economic sanctions (Sanctions Targets) or, in certain situations, is intended to provide services to Sanctions Targets, SS/L s participation in the project may be prohibited altogether or licenses or other approvals from the U.S. Treasury Department s Office of Foreign Assets Control (OFAC) may also be required. See Item 1A Segment Risk Factors We are subject to export control and economic sanctions laws, which may result in delays, lost business and additional costs.

Satellite Services

Telecommunications Regulation

As an operator of a global satellite system, Telesat is regulated by government authorities in Canada, the United States and other countries in which it operates and is subject to the frequency and orbital slot coordination process of the International Telecommunication Union (ITU). Telesat s ability to provide satellite services in a particular country or region is subject also to the technical constraints of its satellites, international coordination, local regulation and licensing requirements.

Canadian Regulatory Environment

Telesat s operations are subject to regulation and licensing by Industry Canada pursuant to the Radiocommunication Act (Canada) and by the Canadian Radio-Television and Telecommunications Commission (CRTC), under the Telecommunications Act (Canada). Industry Canada has the authority to issue licenses, establish standards, assign Canadian orbital locations and plan the allocation and use of the radio frequency spectrum, including the radio frequencies upon which Telesat s satellites and earth stations depend. The Minister responsible for Industry Canada has broad discretion in exercising this authority to issue licenses, fix and amend conditions of licenses and to suspend or even revoke licenses. Telesat s licenses to operate the Anik F and Nimiq satellites require it to comply with research and development and other industrial and public benefit commitments, to pay annual radio authorization fees and to provide all-Canada satellite coverage.

Industry Canada traditionally licensed satellite radio spectrum and associated orbital locations on a first-come, first-served basis. Currently, however, a competitive licensing process is employed for certain spectrum resources where it is anticipated that demand will likely exceed supply, including the licensing of certain FSS and broadcasting satellite service (BSS) orbital locations and associated spectrum resources. Authorizations are granted for the life of a satellite, although radio licenses (e.g., FSS licenses) are renewed annually. As a result of policy concerns about the continuity of service and other factors, there is generally a strong presumption of renewal provided license conditions are met.

The Canadian Government opened Canadian satellite markets to foreign-licensed satellite operators as part of its 1998 World Trade Organization (WTO) commitments to liberalize trade in basic telecommunications services, with the exception of direct-to-home (DTH) television services that are provided through FSS or DBS facilities. In September 2005, the Canadian Government revised its satellite-use policy to permit the use of foreign-licensed satellites for digital audio radio services in Canada. Further liberalization of the policy may occur and could result in increased competition in Canadian satellite markets. On June 13, 2007, Industry Canada announced that Telesat would be awarded five new licenses for Canadian satellite spectrum and rights to the related orbital positions. Telesat was subsequently awarded an authorization for extended Ku-band, FSS and RDBS spectrum at another location.

Table of Contents

The Telecommunications Act authorizes the CRTC to regulate various aspects of the provision of telecommunications services by Telesat and other telecommunications service providers. Since the passage of the Act in 1993, the CRTC has gradually forborne from regulating an increasing number of services provided by regulated companies. Under the current regulatory regime, Telesat has pricing flexibility subject to a price ceiling of CAD 170,000 per transponder per month on certain full period FSS services offered in Canada under minimum five-year arrangements. Telesat s DBS services offered within Canada are also subject to CRTC regulation, but have been treated as distinct from its fixed satellite services and facilities. Telesat requires CRTC approval of customer agreements relating to the sale of all DBS capacity in Canada, including the rates, terms and conditions of service set out therein. Section 28(2) of the Telecommunications Act provides that the CRTC may allocate satellite capacity to particular broadcasting undertakings if it is satisfied that the allocation will further the implementation of the broadcasting policy for Canada.

Telesat was originally established by the Government of Canada in 1969, under the Telesat Act. As part of the Canadian government s divestiture of its shares in Telesat, pursuant to the Telesat Reorganization and Divestiture Act (1991), or the Telesat Divestiture Act, Telesat was continued on March 27, 1992 as a business corporation under the Canada Business Corporations Act, the Telesat Act was repealed and the Government sold its shares in Telesat. Under the Telesat Divestiture Act, Telesat remains subject to certain special conditions and restrictions. The Telesat Divestiture Act provides that no legislation relating to the solvency or winding-up of a corporation applies to Telesat and that its affairs cannot be wound up unless authorized by an Act of Parliament. In addition, Telesat and its shareholders and directors cannot apply for Telesat s continuation in another jurisdiction or dissolution unless authorized by an Act of Parliament.

In July 2010, the Government of Canada adopted the legislative amendments that were proposed in its 2010 budget that eliminated the application of certain foreign ownership restrictions under the Telecommunications Act and Radiocommunications Act, to Canadian satellite operators, like Telesat. Telesat believes the elimination of these restrictions will give it access to additional sources of capital and, more generally, greater strategic flexibility to enhance it s competitive position. The legislative amendments do not affect the nature of Loral s ownership interest in, or rights with respect to the governance of Telesat, nor do they alter the Canadian government s authority to review foreign investment in Canadian companies under the Investment Canada Act including the authority to review any changes to the nature of Loral s ownership.

United States Regulatory Environment

The Federal Communications Commission, or FCC, regulates the provision of satellite services to, from or within the United States. Certain of Telesat s satellites are owned and operated through a US subsidiary and are regulated by the FCC.

Telesat has chosen to operate its US-authorized satellites on a non-common carrier basis, and it is not subject to rate regulation or other common carrier regulations enacted under the US Communications Act of 1934. Telesat pays FCC filing fees in connection with its space station and earth station applications and annual fees to defray the FCC s regulatory expenses. Annual and quarterly status reports must be filed with the FCC for interstate/international telecommunications, and Telesat must contribute funds supporting the FCC s Universal Service Fund, or USF, with respect to eligible United States telecom revenues on a quarterly and annual basis. The USF contribution rate is adjusted quarterly and is currently set at 15.5% for the first quarter of 2011. At the present time, the eligible revenue to determine USF contributions excludes revenue from bare transponder capacity (space segment only agreements).

The FCC currently grants satellite authorizations on a first-come, first-served basis to applicants who demonstrate that they are legally, technically and financially qualified, and where the public interest will be served by the grant. There are no assurances that applications will be granted. Under licensing rules, a bond must be posted for up to $3 million when an FSS satellite authorization is granted. Some or the entire amount of the bond may be forfeited if there is failure to meet any of the milestones imposed under the authorization (including milestones for satellite construction, launch and commencement of operations). Under current licensing rules, the FCC will issue new satellite licenses for an initial 15-year term and will provide a licensee with an expectancy that a subsequent license will be granted for the replacement of an authorized satellite using the same frequencies. At the end of the 15 year term, a satellite that has not been replaced, or that has been relocated to another orbital location following its replacement, may be allowed to continue operations for a limited period of time subject to certain restrictions.

Telesat, through its U.S. subsidiary, Skynet Satellite Corporation, has FCC authorization for two existing U.S.-licensed satellites which operate in the Ku-band: Telstar 12 at 15° WL and Telstar 11N at 37.55° WL.

Table of Contents

To facilitate the provision of FSS satellite services in C- and Ku-band frequencies in the United States market, foreign licensed operators may apply to have their satellites placed on the FCC s Permitted Space Station List. Telesat s Anik Fl, Anik Fl-R, Anik F2, Anik F3, and Telstar 14/Estrela do Sul satellites are currently on this list.

The United States made no WTO commitment to open its DTH, DBS or digital audio radio services to foreign competition, and instead indicated that provision of these services by foreign operators would be considered on a case-by-case basis, based on an evaluation of the effective competitive opportunities open to United States operators in the country in which the foreign satellite was licensed (i.e., an ECO-sat test) as well as other public interest criteria. While Canada currently does not satisfy the ECO-sat test in the case of DTH and DBS service, the FCC has found, in a number of cases, that provision of these services into the United States using Canadian-licensed satellites would provide significant public interest benefits and would therefore be allowed. United States service providers, Digital Broadband Applications Corp., DIRECTV and EchoStar, have all received FCC approval to access Canadian-authorized satellites under Telesat s direction and control in Canadian-licensed orbital locations to provide DTH-FSS or DBS service into the United States.

The approval of the FCC for the Telesat transaction was conditioned upon compliance by Telesat with commitments made to the Department of Justice, the Federal Bureau of Investigation and the Department of Homeland Security relating to the availability of certain records and communications in the United States in response to lawful United States law enforcement requests for such access.

Regulation Outside Canada and the United States

Telesat also operates satellites through licenses granted by countries other than Canada and the United States.

The Brazilian national telecommunications agency, ANATEL, has authorized Telesat, through its subsidiary, Telesat Brasil Capacidade de Satelites Ltda. (TBCS), to operate a Ku-band FSS satellite at the 63° WL orbital location. In December 2008, TBCS entered into a new 15-year Concession Agreement with ANATEL which requires TBCS to dedicate a minimum amount of bandwith to serve Brazil until 2014. After May 2014, this requirement will be removed. The Concession Agreement obligates TBCS to operate the satellite in accordance with Brazilian telecommunications law and contains provisions to enable ANATEL to levy fines for failure to perform according to the Concession terms. Brazil also has a Universal Service Fund (FUST) to subsidize the cost of telecommunications service in Brazil. The sale of bare transponder capacity in Brazil, however, which is TBCS primary business, is not considered a telecommunications service and revenues from such sales are not assessable for contributions to the fund.

Telesat, through its subsidiary Telesat Satellite LP, owns Telstar 18, which operates at the 138° EL orbital location under an agreement with APT, which has been granted the right to use the 138° EL orbital location by The Kingdom of Tonga. APT is the direct interface with these regulatory bodies. Because Telesat gained access to this orbital location through APT, there is greater uncertainty with respect to its ability to maintain access to this orbital location for replacement satellites.

In addition to regulatory requirements governing the use of orbital locations, most countries regulate transmission of signals to and from their territory. Telesat has landing rights in more than 140 countries worldwide.

International Regulatory Environment International Telecommunication Union

The ITU is responsible for allocating the use by different countries of a finite number of orbital locations and radio frequency spectrum available for use by commercial communications satellites. The ITU Radio Regulations set forth the processes that governments must follow to apply for and secure rights to use orbital locations and the obligations and restrictions that govern such use. The ITU Radiocommunication Bureau (ITU-BR) is responsible for receiving, examining, tracking and otherwise managing the applications in the context of the rules set forth in the Radio Regulations. The process includes, for example, a first in time, first in right system for assigning rights to orbital locations and time limits for bringing orbital locations into use.

In accordance with the ITU Radio Regulations, as noted above, the Canadian and other governments have rights to use certain orbital locations and frequencies. These governments have in turn authorized Telesat to use several orbital locations and radio frequencies in addition to those used by its current satellites. Under the ITU Radio Regulations, Telesat must begin using these orbital locations and frequencies within a fixed period of time, or the governments in question would lose their priority rights and the orbital location and frequencies likely would become available for use by another satellite operator.

Table of Contents

The ITU Radio Regulations also govern the process used by satellite operators to coordinate their operations with other nearby satellites, so as to avoid harmful interference. Each member state is required to give notice of, coordinate and register its proposed use of radio frequency assignments and associated orbital locations with the ITU-BR. This ensures that there is an orderly process to accommodate each country s orbital location needs.

Once a member state has advised the ITU-BR that it desires to use a given frequency at a given orbital location, other member states notify that state and the ITU-BR of any use or intended use that would conflict with the original proposal. These nations are then obligated to negotiate with each other in an effort to coordinate the proposed uses and resolve interference concerns. If all outstanding issues are resolved, the member state governments so notify the ITU-BR, and the frequency use is registered in the ITU s Master Register (MIFR). Following this notification, the registered satellite networks are entitled under international law to interference protection from subsequent or nonconforming uses. A state is not entitled to invoke the protections in the ITU Radio Regulations against harmful interference if that state decided to operate a satellite at the relevant orbital location without completing the coordination and notification process.

In the event disputes arise during the coordination process or thereafter, the ITU Radio Regulations do not contain a mandatory dispute resolution mechanism or an enforcement mechanism. Rather, the rules invite a consensual dispute resolution process for parties to reach a mutually acceptable agreement. Neither the rules nor international law provide a clear remedy for a party where this voluntary process fails. Some of Telesat s satellites have been coordinated and registered in the MIFR and therefore enjoy priority over all later-filed requests for coordination and any non-conforming uses. In other cases, entry into the MIFR is still pending. While the ITU Radio Regulations, however, set forth procedures for resolving disputes, as a practical matter, there is no mandatory dispute resolution and no mechanism by which to enforce an agreement or entitlement under the rules.

Although non-governmental entities, including Telesat, participate at the ITU, only national administrations have full standing as ITU members. Consequently, Telesat must rely on the government administrations of Canada, the United States, Brazil, and the United Kingdom (respectively, Industry Canada, the FCC, ANATEL, and OFCOM) to represent its interests in those jurisdictions, including filing and coordinating orbital locations within the ITU process with the national administrations of other countries, obtaining new orbital locations and resolving disputes through the consensual process provided for in the ITU s rules.

PATENTS AND PROPRIETARY RIGHTS

Satellite Manufacturing

SS/L relies, in part, on patents, trade secrets and know-how to develop and maintain its competitive position. It holds 167 patents in the United States and has applications for 13 patents pending in the United States. SS/L patents include those relating to communications, station keeping, power control systems, antennae, filters and oscillators, phased arrays and thermal control as well as assembly and inspection technology. The SS/L patents that are currently in force expire between 2011 and 2029.

Satellite Services

As of December 31, 2010 Telesat had five patents, all in the United States. These patents expire between 2018 and 2021.

There can be no assurance that any of the foregoing pending patent applications will be issued. Moreover, there can be no assurance that infringement of existing third party patents has not occurred or will not occur. Additionally, because the U.S. and Canadian patent application process is confidential, there can be no assurance that third parties, including competitors, do not have patents pending that could result in issued patents which we or Telesat would infringe. In such event, to obtain a license from a patent holder, royalties would have to be paid, which would increase the cost of doing business. Moreover, in the case of SS/L, it would be required to refund money to customers for components that are not useable as a result of such infringement or redesign its products in a manner to avoid infringement. SS/L may also be required under the terms of its customer contracts to indemnify its customers for related damages.

Table of Contents

RESEARCH AND DEVELOPMENT

Satellite Manufacturing

SS/L s research and development expenditures involve the design, experimentation and the development of space and satellite products. Research and development costs are expensed as incurred. SS/L s research and development costs were $20 million for 2010, $23 million for 2009 and $35 million for 2008 and are included in selling, general and administrative expenses in our consolidated statements of operations.

Satellite Services

Telesat s research and development expenditures are incurred for the studies associated with advanced satellite system designs, and experimentation and development of space, satellite and ground communications products. This also includes the development of innovative and cost effective satellite applications for sovereignty, defense, broadcast, broadband and enterprise services segments. Telesat has undertaken proof-of-concept interactive broadband technologies trials to provide much needed health, education, government and other applications to remote and under-served areas. Telesat continues to research advanced compression and transmission technology to support HDTV and other advanced television services and evaluate technology on behalf of the World Broadcast Union and European Space Agency.

FOREIGN OPERATIONS

Loral s revenues from foreign customers, primarily in Europe, Canada and Asia represented 44%, 46% and 30% of our consolidated revenues for the years ended December 31, 2010, 2009 and 2008, respectively.

Satellite Manufacturing

SS/L s revenues from foreign customers, primarily in Europe, Canada and Asia represented 44%, 46% and 29% of SS/L revenues for the years ended December 31, 2010, 2009 and 2008, respectively. As of December 31, 2010, 2009 and 2008, substantially all of SS/L s long-lived assets were located in the United States. See Item 1A Risk Factors below for a discussion of the risks related to operating internationally. See Note 15 to the Loral consolidated financial statements for detail on SS/L s domestic and foreign sales.

Satellite Services

Telesat s revenues from non-U.S. customers, primarily in Canada, Asia, Europe and Latin America represented 68% of its consolidated revenues for the years ended December 31, 2010 and 2009 and 66% of its consolidated revenues for the year ended December 31, 2008. At December 31, 2010, 2009 and 2008 substantially all of its long-lived assets were located outside of the United States, primarily in Canada, with the exception of in-orbit satellites.

EMPLOYEES

As of December 31, 2010, Loral had approximately 2,700 full-time employees and approximately 280 contract employees, none of whom are subject to collective bargaining agreements. Almost all of the foregoing employees are employed in the satellite manufacturing segment. We consider our employee relations to be good.

As of December 31, 2010, Telesat, including subsidiaries, had 480 full and part time employees, approximately 2% of whom are subject to collective bargaining agreements. Telesat considers its employee relations to be good.

Table of Contents

OTHER

Loral, a Delaware corporation, was formed on June 24, 2005, to succeed to the business conducted by its predecessor registrant, Loral Space & Communications Ltd. (Old Loral), which emerged from chapter 11 of the federal bankruptcy laws on November 21, 2005 (the Effective Date) pursuant to the terms of the fourth amended joint plan of reorganization, as modified (the Plan of Reorganization).

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available without charge on our web site, www.loral.com, as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. Copies of these documents also are available in print, without charge, from Loral s Investor Relations Department, 600 Third Avenue, New York, NY 10016. Loral s web site is an inactive textual reference only, meaning that the information contained on the web site is not part of this report and is not incorporated in this report by reference.

Item 1A. ***Risk Factors***

I. Financial and Telesat Investment Risk Factors

Our revenues and profitability may be adversely affected by swings in the global financial markets, which may have a material adverse effect on our customers and suppliers.

Swings in the global financial markets that include illiquidity, market volatility, changes in interest rates and currency exchange fluctuations can be difficult to predict and negatively affect the ability of certain customers to make payments when due. Such swings may materially and adversely affect us due to the potential insolvency of suppliers and customers, inability of customers to obtain financing for their satellites and transponder leases, decreased customer demand, delays in supplier performance and contract terminations. Our customers may not have access to capital or a willingness to spend capital on our satellites and transponder leases, or their levels of cash liquidity with which to pay for satellites they have ordered from us and transponder leases may be adversely affected. Our suppliers access to capital and liquidity with which to maintain their inventories, production levels or product quality may be adversely affected, which could cause them to raise prices or cease operations. As a result, we may experience a material adverse effect on our business, results of operations and financial condition. These potential effects of swings in the global financial markets are difficult to forecast and mitigate.

The SS/L credit agreement is subject to financial and other covenants that must be met for SS/L to utilize the revolving facility.

On December 20, 2010, SS/L entered into an amended and restated credit agreement with several banks and other financial institutions. The SS/L credit agreement provides for a $150 million senior secured revolving credit facility. The revolver matures on January 24, 2014. This credit agreement contains certain covenants, both financial and non-financial, which SS/L must be able to meet to draw on the revolver. The covenants include, among other things, a consolidated leverage ratio test, a consolidated interest coverage ratio test and restrictions on the incurrence of additional indebtedness, capital expenditures, investments, dividends or stock repurchases, asset sales, mergers and consolidations, liens, changes to the line of business and other matters customarily restricted in such agreements. While SS/L has been in compliance with all covenants to date, there can be no assurance that SS/L will be able to meet its covenant requirements in the future and maintain the availability to use the revolver. SS/L s liquidity would be materially and adversely affected if it is unable to do so.

Our potential indebtedness makes us vulnerable to adverse developments.

There are certain restrictions in SS/L s credit agreement on SS/L incurring indebtedness from sources other than the existing SS/L credit agreement. If new debt is added, such indebtedness could impose additional restrictive covenants. The incurrence of debt under the SS/L credit agreement and any additional significant debt that we may incur would make us vulnerable to, among other things, adverse changes in general economic, industry and competitive conditions.

Table of Contents

Increases in interest rates could increase interest costs under SS/L s credit facility.

Borrowings under SS/L s credit facility are limited to Eurodollar Loans for periods ending in one, two, three or six months or daily loans for which the interest rate is adjusted daily based upon changes in the Prime Rate, Federal Funds Rate or one month Eurodollar Rate. Because of the nature of the borrowing under a revolving credit facility, the borrowing rate adjusts to changes in interest rates over time. For a $150 million credit facility, if it were fully borrowed, a 1% change in interest rates would affect annual interest expense by $1.5 million.

Instability in financial markets could adversely affect our ability to access additional capital.

In recent years, the volatility and disruption in the capital and credit markets have reached unprecedented levels. If these conditions continue or worsen, there can be no assurance that we will not experience a material adverse effect on SS/L s ability to borrow money, including under SS/L s senior secured revolving credit facility, or have access to capital, if needed. Although our lenders have made commitments to make funds available to SS/L in a timely fashion, SS/L s lenders may be unable or unwilling to lend money. In addition, if we determine that it is appropriate or necessary to raise capital in the future, the future cost of raising funds through the debt or equity markets may be more expensive or those markets may be unavailable. If we were unable to raise funds through debt or equity markets, it could have a material adverse effect on our business, results of operations and financial condition.

Loral Space & Communications Inc., the parent company, is a holding company with no current operations; we are dependent on cash flow from our operating subsidiaries and affiliates to meet our financial obligations.

The parent company is a holding company with three primary assets, its equity interest in its wholly-owned subsidiary, SS/L, and its equity interests in its affiliates, Telesat and XTAR. The parent company has no independent operations or operating assets and has ongoing cash requirements. The ability of SS/L, Telesat and XTAR to make payments or distributions to the parent company, whether as dividends or as payments under applicable management agreements or otherwise, will depend on their operating results, including their ability to satisfy their own cash flow requirements and obligations including, without limitation, their debt service obligations. Moreover, covenants contained in the debt agreements of SS/L and Telesat impose limitations on their ability to dividend funds to the parent company. Even if the applicable debt covenants would permit Telesat to pay dividends, the parent company will not have the ability to cause Telesat to do so. See below While we own 64% of Telesat on an economic basis, we own only $33^{1}/_{3}$% of its voting stock and therefore do not have the right to elect or appoint a majority of its Board of Directors. Likewise, any dividend payments by XTAR would require the prior consent of our Spanish partner in the joint venture.

The parent company earns a management fee of $5 million a year from Telesat. Telesat s loan documents permit this management fee from Telesat to be paid to the parent company only in the form of notes, with such fee becoming payable in cash only at such time that Telesat meets certain financial performance criteria set forth in the loan documents. Whether Telesat meets the financial performance criteria to enable payment is dependent upon foreign exchange rates which are constantly fluctuating. It is uncertain at this time whether Telesat will be permitted to pay the management fee in 2011.

SS/L made a $50 million dividend payment to the parent company in January 2011 as permitted under SS/L s credit agreement which SS/L amended and restated in December 2010. SS/L pays the parent company a management fee of $1.5 million in cash each year. The parent company also allocates a portion of its annual overhead expenses to SS/L. The parent company required SS/L to make overhead expense allocation payments to it in 2010. The SS/L credit agreement restricts these overhead expense allocation payments to an amount not to exceed $15 million in any fiscal year and imposes a liquidity restriction that must be met for SS/L to make such payment. The SS/L credit agreement also limits loans by SS/L to the parent company. There can be no assurance that SS/L will be permitted to make expense allocation payments or loans to the parent company in the future.

Since January 2008, we have been investing in a Canadian broadband business which has been a use of cash for the Company. On March 1, 2011, Loral entered into agreements to sell this business to Telesat. It is expected that upon closing the transaction, the Company will receive $13 million plus reimbursement of approximately $48 million, representing Loral s net costs incurred through the closing date. This transaction is expected to close in March 2011. There can be no assurance, however, that this transaction will close. If the transaction does not close, the Company intends to continue to fund the business.

15

Table of Contents

While we own 64% of Telesat on an economic basis, we own only $33^1/_3$% of its voting stock and therefore do not have the right to elect or appoint a majority of its Board of Directors.

While we own 64% of the economic interests of Telesat, we hold only $33^1/_3$% of its voting interests. Although the restrictions on foreign ownership of Canadian satellites have recently been removed by the government of Canada, we are still subject to our shareholders agreement with PSP and the articles of incorporation of Telesat Holdco, which do not allow us to own more voting stock of Telesat Holdco than we currently own. Also, under our shareholders agreement, the governance and management of Telesat is vested in its 10-member Board of Directors, comprised of three Loral appointed directors, three PSP appointed directors and four independent directors, two of whom also own Telesat shares with nominal economic value and 30% and $6^2/_3$% of the voting interests for Telesat directors, respectively. While we own a greater voting interest in Telesat than any other single stockholder with respect to election of directors and we and PSP, which owns 30% of the voting interests for directors and $66^2/_3$% of the voting interests for all other matters, together own a majority of Telesat s voting power, circumstances may occur where our interests and those of PSP diverge or are in conflict. In that case, PSP, with the agreement of at least three of the four independent directors may, subject to veto rights that we have under Telesat s shareholders agreement, cause Telesat to take actions contrary to our wishes. These veto rights are, however, limited to certain extraordinary actions for example, the incurrence of more than $100 million of indebtedness or the purchase of assets at a cost in excess of $100 million. Moreover, our right to block these actions under the shareholders agreement falls away if, subject to certain exceptions, either (i) ownership or control, directly or indirectly by Dr. Mark H. Rachesky (President of MHR Fund Management LLC, or MHR, which, through its affiliated funds is our largest stockholder) of our voting stock falls below certain levels or (ii) there is a change in the composition of a majority of the members of Loral s board of directors over a consecutive two-year period.

Our equity investment in Telesat may be at risk because of Telesat s leverage.

At December 31, 2010, Telesat had outstanding indebtedness of CAD 2.9 billion and additional borrowing capacity of CAD 153 million under its revolving facility, based on a U.S. dollar/Canadian dollar exchange rate of $1.00/CAD 0.9980. Approximately CAD 2.0 billion of this total borrowing capacity is debt that is secured by substantially all of the assets of Telesat. This indebtedness represents a significant amount of indebtedness for a company the size of Telesat. The agreements governing this indebtedness impose operating and financial restrictions on Telesat s activities. These restrictions on Telesat s ability to operate its business could seriously harm its business by, among other things, limiting its ability to take advantage of financing, merger and acquisition and other corporate opportunities, which could in time adversely affect the value of our investment in Telesat.

As of December 31, 2010, Telesat had indebtedness of CAD $2.0 billion which bears interest at variable rates. If market interest rates were to rise, this would result in higher debt service requirements. To alleviate a portion of this risk, in 2007 Telesat entered into interest rate swaps that converted $600 million of its outstanding floating U.S. dollar debt and CAD 630 million of its outstanding Canadian dollar debt into fixed rate debt for periods extending into 2010 and 2011. In 2009, Telesat extended the maturity of the existing CAD 630 million floating to fixed interest rate swaps to October 2014 and entered into an additional delayed-start floating to fixed CAD 300 million interest rate swap maturing in October 2014.

Telesat s indebtedness includes $1.7 billion that is denominated in U.S. dollars and is unhedged with respect to foreign exchange rates. Unfavorable exchange rate changes could affect Telesat s ability to repay or refinance this debt.

A breach of the covenants contained in any of Telesat s loan agreements, including without limitation, a failure to maintain the financial ratios required under such agreements, could result in an event of default. If an event of default were to occur, Telesat s lenders would be able to accelerate repayment of the related indebtedness, and it may also trigger a cross default under other Telesat indebtedness. If Telesat is unable to repay its secured indebtedness when due (whether at the maturity date or upon acceleration as a result of a default), the lenders will have the right to proceed against the collateral granted to them to secure such indebtedness, which consists of substantially all of the assets of Telesat and its subsidiaries. Telesat s ability to make payments on, or repay or refinance, its debt, will depend largely upon its future operating performance. In the event that Telesat is not able to service its indebtedness, there would be a material adverse effect on the value of our equity investment in Telesat.

Telesat also has CAD 141 million of 7% (8.5% following a performance failure) senior preferred stock that may be redeemed by the holders thereof commencing October 31, 2019. This preferred stock enjoys rights of priority over the Telesat equity securities held by us.

Table of Contents

Certain asset sales by Telesat may trigger material adverse tax consequences for us.

Upon completion of the Telesat transaction, we deferred a tax gain of approximately $308 million arising from the contribution by Loral Skynet to Telesat of substantially all of its assets and related liabilities. If Telesat were to sell or otherwise dispose of substantially all of such contributed assets in one or more taxable transactions prior to November 1, 2012, we would be required to recognize this deferred gain with retroactive effect to 2007, resulting in additional tax liability to us of approximately $119 million plus interest. Telesat has agreed that, prior to November 1, 2012, without our prior consent, it will not dispose of assets having a value, whether individually or in the aggregate, in excess of $50 million if such disposition would, in our reasonable determination, result in an adverse tax consequence to us. If we were to exercise this veto right and prevent Telesat from consummating such an asset sale, it may, however, adversely affect the value of our investment in Telesat.

The Telesat information in this report is based solely on information provided to us by Telesat.

Because we do not control Telesat, we do not have the same control and certification processes with respect to the information contained in this report on our satellite services segment that we have for the reporting on our satellite manufacturing segment. We are also not involved in managing Telesat s day to day operations. Accordingly, the Telesat information contained in this report is based solely on information provided to us by Telesat and has not been separately verified by us.

Telesat s financial results and our U.S. dollar reporting of Telesat s financial results will be affected by volatility in the Canadian/U.S. dollar exchange rate.

Portions of Telesat s revenue, expenses and debt are denominated in U.S. dollars and changes in the U.S. dollar/Canadian dollar exchange rate may have a negative impact on Telesat s financial results and affect the ability of Telesat to repay or refinance its borrowings.

Loral reports its investment in Telesat in U.S. dollars while Telesat reports its financial results in Canadian dollars. Loral reports its investment in Telesat using the equity method of accounting. As a result, Telesat s results of operations are subject to conversion from Canadian dollars to U.S. dollars. Changes in the U.S. dollar relationship to the Canadian dollar affect how our financial results as they relate to Telesat are reported in our consolidated financial statements. There was a significant movement in US$/CAD exchange rates during 2010; the exchange rate moved from US$1.00/CAD 1.0532 at December 31, 2009 to US$1.00/CAD 0.9980 at December 31, 2010.

XTAR has not generated sufficient revenues to meet all of its contractual obligations, which are substantial.

XTAR s take-up rate in its service has been slower than anticipated. As a result, it has deferred certain payments owed to us, Hisdesat and Telesat, including payments due under an agreement with Hisdesat to lease certain transponders on the Spainsat satellite. These lease obligations were $24 million in 2010 with increases thereafter to a maximum of $28 million per year through the end of the useful life of the satellite, which is estimated to be in 2022. In addition, XTAR has entered into an agreement with Hisdesat whereby the past due balance on the Spainsat transponders of $32.3 million as of December 31, 2008, together with a deferral of $6.7 million in payments due in 2009, became payable to Hisdesat over 12 years through annual payments of $5 million. Also, XTAR has a convertible loan from Hisdesat in the amount of approximately $17 million, including accrued interest, which is due in June 2011. XTAR s lease and other obligations to Hisdesat, which will aggregate in excess of $376 million over the life of the satellite, are substantial, especially in light of XTAR s limited revenues to date. XTAR has agreed that most of its excess cash balance would be applied towards making limited payments on these obligations, as well as payments of other amounts owed to us, Hisdesat and Telesat in respect of services provided by them to XTAR. Unless XTAR is able to generate a substantial increase in its revenues, these obligations will continue to accrue and grow, which may have a material and adverse effect on our equity interest in XTAR. As of December 31, 2010, $3.0 million was due to Loral from XTAR.

Table of Contents

As part of our business strategy, we may complete acquisitions, undertake restructuring efforts or engage in other strategic transactions. These actions could adversely affect our business, results of operations and financial condition.

As part of our business strategy, we may engage in discussions with third parties regarding, or enter into agreements relating to, acquisitions, restructuring efforts or other strategic transactions in order to manage our product and technology portfolios or further our strategic objectives. In order to pursue this strategy successfully, we must identify suitable acquisition or alliance candidates and complete these transactions, some of which may be large and complex. Any of these activities may result in disruptions to our business and may not produce the full efficiency and cost reduction benefits anticipated.

II. Segment Risk Factors

Risk Factors Associated With Satellite Manufacturing

The satellite manufacturing market is highly competitive.

SS/L competes with companies such as Lockheed Martin, Boeing and Orbital Sciences in the United States, Thales, Alenia Space and EADS Astrium in Europe and Mitsubishi Electric Corp. in Japan. We also expect that in the future SS/L will compete with emerging low-cost competitors in India, Russia and China. Many of SS/L s competitors are larger and have substantially greater resources than we do. Furthermore, it is possible that other domestic or foreign companies or governments, some with greater experience in the space industry and many with greater financial resources than we possess, could seek to produce satellites that could render SS/L s satellites less competitively viable. Some of SS/L s foreign competitors currently benefit from, and others may in the future benefit from, subsidies from or other protective measures by their home countries or government-supported financing of customer purchases and the ability to avoid U.S. export controls. Moreover, as a result of our interest in Telesat, SS/L may experience difficulty in obtaining orders from certain customers engaged in the satellite services business who compete with Telesat.

Our financial performance is dependent on SS/L s ability to generate a sustainable order rate and to continue to increase its backlog. This can be challenging and may fluctuate on an annual and quarterly basis as the number of satellite construction contracts varies and is difficult to predict. Furthermore, the satellite manufacturing industry has suffered from substantial overcapacity worldwide for a number of years, resulting in competitive pressure on pricing and other material contractual terms, such as those allocating risk between the manufacturer and its customers. Buyers, as a result, have had the advantage over suppliers in negotiating prices, terms and conditions, resulting in reduced margins and increased assumption of risk by manufacturers, including SS/L.

The cyclicality of SS/L s end-user markets could have a material adverse effect on our financial results.

Many of the end markets SS/L serves have historically been cyclical and have experienced periodic downturns. The factors leading to, and the severity and length of, a downturn are difficult to predict and it is possible that we will not appropriately anticipate changes in the underlying end markets SS/L serves. It is also difficult to predict whether any increased levels of business activity will continue as a trend into the future. If we fail to anticipate changes in the end markets SS/L serves, our business, results of operations and financial condition could be materially adversely affected.

Many of SS/L s contracts with its customers include performance incentives that subject us to risk.

Most of SS/L s satellite construction contracts permit SS/L s customers to pay a portion of the purchase price (typically about 10%) for the satellite over the life of the satellite (typically 15 years), subject to the continued performance of the satellite, referred to as orbital receivables. Since these orbital receivables could be affected by future satellite performance, SS/L may not be able to collect all or a portion of these receivables. See SS/L s contracts are subject to adjustments, cost overruns and termination. SS/L generally does not insure for these orbital receivables and, in some cases, agrees with our customers not to insure them.

Table of Contents

SS/L records the present value of orbital receivables as revenue during the construction of the satellite, which is typically two to three years. SS/L generally receives the present value of these orbital receivables if there is a launch failure or a failure caused by customer error. SS/L forfeits some or all of these payments, however, if the loss is caused by satellite failure or as a result of SS/L s own error.

In addition to performance of the satellite, there can be no assurance that a customer will not delay payment of an orbital receivable to, or seek financial relief from, SS/L if such customer has financial difficulties. Nonpayment of an orbital receivable by a customer for performance or other reasons could have an adverse effect on our cash flows. In addition, if SS/L s customers fall behind or default on payments to SS/L of orbital receivables, our liquidity will be adversely affected.

Some of SS/L s contracts provide for performance incentives to the customer in the form of warranty payback, which means that in the event satellite anomalies develop after launch, SS/L would owe the customer a specified penalty payment. SS/L does not insure these contingent liabilities. We have recorded reserves in our financial statements based on current estimates of SS/L s warranty liabilities. There is no assurance that our actual liabilities to SS/L s customers in respect of these warranty liabilities will not be greater than the amount reserved.

The satellite manufacturing industry is characterized by technological change, and if SS/L cannot continue to develop, manufacture and market innovative satellite applications that meet customer requirements our sales may suffer.

The satellite manufacturing industry is characterized by technological developments necessary to meet changing customer demand for complex and reliable services. SS/L needs to invest in technology to meet its customers changing needs. Technological development is expensive and requires long lead time. It is possible that SS/L may not be successful in developing new technology or that the technology it is successful in developing may not meet the needs of its customers or potential new customers. SS/L s competitors may also develop technology that better meets the needs of SS/L s customers, which may cause those customers or potential new customers to buy satellites from SS/L s competitors rather than SS/L.

It is possible that SS/L s satellites will not be successfully developed or manufactured.

The satellites SS/L develops and manufactures are technologically advanced and complex and sometimes include novel systems that must function in highly demanding and harsh environments. From time to time, SS/L experiences failures or cost overruns in developing and manufacturing its satellites, delays in delivery and other operational problems. Some of SS/L s satellite contracts impose monetary penalties on SS/L for delays and for performance difficulties, which penalties could be significant and have a material adverse effect on our financial condition.

Certain of SS/L s on-orbit satellites have known performance issues.

Component failure is not uncommon in complex satellites. Costs resulting from component failure may result in warranty expenses, loss of orbital receivables and/or additional loss of revenues due to the postponement or cancellation of subsequently scheduled operations or satellite deliveries and may have a material adverse effect on our financial condition and results of operations. Negative publicity from satellite failures may also impair SS/L s ability to win new contracts from existing and new customers.

Some satellites SS/L has built have experienced minor losses of power from their solar arrays. Thirty-one of SS/L s satellites currently on-orbit have experienced partial losses of power from their solar arrays. In the event of additional power loss, the extent of the performance degradation, if any, will depend on numerous factors, including the amount of the additional power loss, the level of redundancy built into the affected satellite s design, when in the life of the affected satellite the loss occurred, how many transponders are then in service and how they are being used. A partial or complete loss of a satellite could result in an incurrence of warranty payments by, or a loss of orbital receivables to, SS/L.

Table of Contents

SS/L s major customers account for a sizable portion of SS/L s revenues, and the loss of, or a reduction in, orders from these customers could result in a decline in revenues.

A sizable portion of SS/L s revenue is derived from a limited number of customers and we expect that SS/L s results of operations in the foreseeable future will continue to depend on SS/L s ability to continue to service such customers. It is possible that any of SS/L s major customers could cease entering into satellite construction contracts with SS/L or could significantly reduce or delay the number of satellites that it orders and purchases from SS/L. The loss of, or a reduction in, orders from any major customer could cause a decline in our overall revenue and have a material adverse effect on our business, results of operations and financial condition.

SS/L s future operating results are dependent on the growth in the businesses of SS/L s customers and on SS/L s ability to sell to new customers.

SS/L s growth is dependent on the growth in the sales of the services of SS/L s customers as well as the development by SS/L s customers of new services. If we fail to anticipate changes in the businesses of SS/L s customers and their changing needs, or successfully identify and enter new markets, our results of operations and financial position could be adversely affected. The markets SS/L serves may not grow in the future and we may not be able to maintain adequate gross margins or profits in these markets. A decline in demand in one or several end-user markets of SS/L s customers could have a material adverse effect on the demand for SS/L s satellites and have a material adverse effect on our business, results of operations and financial condition.

SS/L s contracts are subject to adjustments, cost overruns and termination.

SS/L s major contracts are firm fixed-price contracts under which work performed and products shipped are paid for at a fixed-price without adjustment for actual costs incurred. While cost savings under these fixed-price contracts result in gains to SS/L, cost increases result in reduction of profits or increase of losses, borne solely by SS/L. Under such contracts, SS/L may receive progress payments, or SS/L may receive partial payments upon the attainment of certain program milestones. If performance on these milestones is delayed, SS/L s receipt of the corresponding payments will also be delayed. As the prime contractor, SS/L is generally liable to its customers for schedule delays and other non-performance by its suppliers, which may be largely outside of SS/L s control.

Non-performance may increase costs and subject SS/L to damage claims from customers and termination of the contract for default. SS/L s contracts contain detailed and complex technical specifications to which the satellite must be built. It is very common that satellites built by SS/L do not conform in every single aspect to, and contain a small number of minor deviations from, the technical specifications. In the case of more significant deviations, however, SS/L may incur increased costs to bring the satellite within or close to the contractual specifications or a customer may exercise its contractual right to terminate the contract for default. In some cases, such as when the actual weight of the satellite exceeds the specified weight, SS/L may incur a predetermined penalty with respect to the deviation. SS/L s failure to deliver a satellite to its customer by the specified delivery date, which may result from factors beyond SS/L s control, such as delayed performance or non-performance by the subcontractors or failure to obtain necessary governmental licenses for delivery, would also be harmful to us unless mitigated by applicable contract terms, such as excusable delay. As a general matter, SS/L s failure to deliver beyond any contractually provided grace period would result in incurrence of liquidated damages, which may be substantial, and if SS/L is still unable to deliver the satellite upon the end of the liquidated damages period, the customer will generally have the right to terminate the contract for default. If a contract is terminated for default, SS/L would be liable for a refund of customer payments made to date, and could also have additional liability for excess re-procurement costs and other damages incurred by SS/L s customer, although SS/L would own the satellite under construction and attempt to recoup any losses through resale to another customer. A contract termination for default could have a material adverse effect on our business.

In addition, many of SS/L s contracts may be terminated for convenience by the customer. In the event of such a termination, SS/L is normally entitled to recover the purchase price for delivered items, reimbursement for allowable costs for work in process and an allowance for profit or an adjustment for loss, depending on whether completion of the project would have resulted in a profit or loss; however, there is no guarantee that any such recovery will be obtained.

20

Table of Contents

A dispute could arise relating to a satellite in construction.

SS/L and one of its customers, EchoStar Corporation (EchoStar), have agreed to suspend final construction of a satellite pending, among other things, further analysis relating to efforts to meet the satellite performance criteria or confirmation that alternative performance criteria would be acceptable. In May 2010, SS/L provided EchoStar, at its request, with a proposal to complete construction and prepare the satellite for launch under the current specifications. In August 2010, SS/L provided EchoStar, at its request, additional proposal information. There can be no assurance that a dispute will not arise with EchoStar as to whether the satellite meets its technical performance specifications or in the situation where a dispute does arise that SS/L would prevail. Failure to resolve such dispute, or future disputes with this or other customers, in a timely and cost-efficient manner could have a material adverse effect on our financial condition.

Certain of SS/L s customers are highly leveraged and may not fulfill their contractual payment obligations with SS/L.

SS/L has certain commercial customers that are either highly leveraged or in the development stage that are not fully funded. There is a risk that these customers will be unable to meet their payment obligations to SS/L under their satellite construction contracts. This risk is increased due to current economic conditions. For example, one of SS/L s customers, TerreStar Networks Inc. (TerreStar), filed for protection under Chapter 11 of the Bankruptcy Code on October 19, 2010. As of December 31, 2010, SS/L had $19 million of past due receivables from TerreStar related to an in-orbit SS/L built satellite and other related ground system deliverables and $16 million of past due receivables from TerreStar related to a second satellite under construction. SS/L had previously exercised its contractual right to stop work on the satellite under construction as a result of TerreStar s payment default. The in-orbit satellite long-term orbital receivable balance, net of fair value adjustment, reflected on the balance sheet at December 31, 2010 is $15 million. The long term orbital receivable balance reflected on the balance sheet for the satellite under construction is $13 million. In addition, there are approximately $3 million of costs that have been committed to and will be incurred in the future, substantially relating to the ground system deliverables. In February 2011, TerreStar withdrew its proposed plan of reorganization and has indicated that it will explore an alternative plan of reorganization or a sale of its assets. Prior to withdrawing its plan, TerreStar had indicated that it intended to assume its contract for the satellite under construction. In March 2011, TerreStar filed a motion to authorize it to reject its contracts for the in-orbit satellite and related ground system deliverables. If TerreStar were to reject its contracts for the in-orbit satellite and related ground system deliverables, and assuming that SS/L received no recovery on its claim as a creditor with respect to these contracts, SS/L believes that it would incur a loss of approximately $27 million, SS/L s cash flow in the short term would be reduced by $20 million and SS/L s cash flow over the approximate 15-year life of the satellite would be reduced by an additional $18 million of long term orbital receivables plus interest.

Moreover, most of SS/L s satellite contracts include orbital receivables, and certain of SS/L s satellite contracts may require SS/L to provide vendor financing to its customers, or a combination of these contractual terms. To the extent that SS/L s contracts contain orbital receivables provisions or SS/L provides vendor financing to its customers, our financial exposure is further increased. In some cases, these arrangements are provided to (i) customers that are new companies, (ii) companies in the early stages of building new businesses or (iii) highly leveraged companies, in some cases, with near-term debt maturities. These companies or their businesses may not be successful and, accordingly, they may not be able to fulfill their payment obligations under their contracts with SS/L.

There can be no assurance that SS/L will have sufficient funds to meet its cash requirements in the future.

There can be no assurance that SS/L will have sufficient funds to meet its cash requirements in future years beyond 2010. SS/L has high fixed costs relating primarily to labor and overhead. Based on SS/L s current cost structure, we estimate that SS/L covers its fixed costs, including depreciation and amortization, with an average of four to five satellite awards a year depending on the size, power, pricing and complexity of the satellite. If SS/L s satellite awards fall below four to five awards per year, SS/L would be required to phase in a reduction of costs to accommodate this lower level of activity. The timing of any reduced demand for satellites, if it were to occur, is difficult to predict. It is, therefore, difficult to anticipate the need to reduce costs to match any such slowdown in

21

Table of Contents

business, especially when SS/L has significant backlog business to perform. A delay in matching the timing of a reduction in business with a reduction in expenditures could adversely affect the liquidity of SS/L and us. If SS/L does not have sufficient funds, it will be required to borrow under its credit agreement or will have to obtain new financing, either in the form of debt or equity, to increase cash availability. In light of current market conditions, there can be no assurance that SS/L will be able to obtain such financing on favorable terms, if at all. Failure to obtain such financing could have a material adverse effect on the ability of SS/L and us to manage unforeseen cash requirements, to meet contingencies and to fund growth opportunities.

Many of SS/L s costs are fixed and SS/L may not be able to cut costs sufficiently to maintain profitability in the event of a downturn in its business.

SS/L is a large-scale systems integrator, requiring a large staff of highly skilled and specialized workers, as well as specialized manufacturing and test facilities in order to perform under its satellite construction contracts. In order to maintain its ability to compete as one of the prime contractors for technologically advanced space satellites, SS/L must continuously retain the services of a core group of specialists in a wide variety of disciplines for each phase of the design, development, manufacture and testing of its products. This reduces SS/L s flexibility to reduce workforce costs in the event of a slowdown or downturn in SS/L s business. In addition, the manufacturing and test facilities that SS/L owns or leases under long-term agreements are fixed costs that cannot be adjusted quickly to account for significant variance in production requirements or economic conditions.

The availability of facility space and qualified personnel may affect SS/L s ability to perform its contracts in a timely and efficient manner.

SS/L has won a number of satellite construction contracts over the last few years and, as a result, its backlog has expanded significantly. In order to complete construction of all the satellites in backlog and to enable future growth, SS/L has modified and expanded its manufacturing facilities to accommodate as many as nine to 13 satellite construction awards per year, depending on the complexity and timing of the specific satellites, and SS/L can accommodate the integration and testing of 13 to 14 satellites at any given time in its Palo Alto facility. However, due to scheduling requirements, SS/L relies on outside suppliers for certain critical production and testing activities, such as thermal vacuum testing. It is possible that such outside suppliers will not be able to accommodate SS/L s scheduling requirements, which may cause SS/L to incur additional costs or fail to meet contractual delivery deadlines. Further, SS/L may not be able to hire or retain enough employees with the requisite skills and training and, accordingly, SS/L may not be able to perform its contracts as efficiently as planned or grow its business to the planned level.

SS/L s ability to obtain certain satellite construction contracts depends, in part, on its ability to provide the customer with financing.

In the past, SS/L has provided partial financing to customers to enable it to win certain satellite construction contracts. The financing has typically been in the form of orbital receivables, vendor financing and/or loans by SS/L and direct investments by Loral in the customer or the satellite. SS/L s credit agreement limits its ability to provide customers with financing. If SS/L is unable to provide financing to a customer, it could lose the satellite construction contract to a competitor that could provide financing. See above The satellite manufacturing market is highly competitive .

SS/L relies on certain key suppliers whose failure or delayed performance could adversely affect us.

To build satellites, SS/L relies on suppliers, some of which are competitors, to provide SS/L with certain component parts. The number of suppliers capable of providing these components is limited, and, in some cases, the supplier is a sole source, based upon the unique nature of the product or the customer requirement to procure components with proven flight heritage. These suppliers are not all large, well-capitalized companies, and to the extent they experience financial difficulties, their ability to timely deliver components that satisfy a customer s contract requirements could be impaired. In the past, SS/L s performance under its construction contracts with its customers has been adversely affected because of a supplier s failure or delayed performance. As discussed above under SS/L s contracts are subject to adjustments, cost overruns and termination, a failure by SS/L to meet its contractual delivery requirements could give rise to liquidated damage payments by SS/L or could cause a customer to terminate its construction contract with SS/L for default.

22

Table of Contents

SS/L faces risks in conducting business internationally and is subject to risks that may have a material adverse effect on our results of operations.

For the year ended December 31, 2010, approximately 44% of SS/L s revenues were generated from customers outside of the United States. SS/L could be harmed financially and operationally by changes in foreign regulations and telecommunications standards, tariffs or taxes and other trade barriers that may be imposed on its services or by political and economic instability in the countries in which it conducts business. Almost all of SS/L s contracts with foreign customers require payment in U.S. dollars, and customers in developing countries could have difficulty obtaining U.S. dollars to pay SS/L due to currency exchange controls and other factors. Also, if SS/L needs to pursue legal remedies against its foreign business partners or customers, SS/L may have to sue them abroad where it could be difficult for SS/L to enforce its rights.

SS/L sells certain of its communications satellites and other products to non-U.S. customers. SS/L also procures certain key product components from non-U.S. vendors. International contracts are subject to numerous risks that may have a material adverse effect on our operating results, including:

political and economic instability in foreign markets;

restrictive trade policies of the U.S. government and foreign governments;

inconsistent product regulation by foreign agencies or governments;

imposition of product tariffs and burdens;

the cost of complying with a variety of U.S. and international laws and regulations, including regulations relating to import-export control;

the complexity and necessity of using non-U.S. representatives and consultants;

inability to obtain required U.S. or foreign country export licenses; and

foreign currency exposure. See SS/L is exposed to foreign currency exchange rate risks that could have a material adverse effect on our business, results of operations or financial condition.

SS/L relies on patents, and infringement by SS/L of third-party patents would increase its costs, and third parties may challenge its patents.

SS/L relies, in part, on patents and industry expertise to develop and maintain its competitive position. At December 31, 2010, SS/L held 167 patents in the United States and had applications for 13 patents pending in the United States. SS/L s patents include those relating to communications, station keeping, power control systems, antennae, filters and oscillators, phased arrays and thermal control as well as assembly and inspection technology. SS/L s patents that are currently in force expire between 2011 and 2029. There is a risk that competitors could challenge or infringe SS/L s patents. It is also possible that SS/L will infringe current or future third-party patents or third-party trade secrets. In the event of infringement, SS/L could be required to pay royalties to obtain a license from the patent holder or refund money to customers for components that are not useable or redesign its products to avoid infringement, all of which would increase SS/L s costs. SS/L could also be subject to injunctions prohibiting it from using components. SS/L may also be required under the terms of its customer contracts to indemnify its customers for damages relating to infringements.

For example, one third party has asserted that SS/L is infringing certain pending patent applications. To the extent patents are issued to such third party in a form that covers the technology SS/L uses to manufacture satellites, and such patents are found to be valid, SS/L could be enjoined from using such technology and may be required to either take a license under or design around such patents.

23

Table of Contents

SS/L s operations are subject to business interruptions and casualty losses.

SS/L s business is subject to numerous inherent risks, particularly unplanned events such as inclement weather, explosions, fires, earthquakes, terrorist acts, other accidents, equipment failures and transportation interruptions. While SS/L s insurance coverage could offset losses relating to some of these types of events, to the extent any such losses are not covered by insurance, it could have a material adverse effect on our business, results of operations and financial condition.

SS/L relies on its information technology systems to manage numerous aspects of SS/L s business and a disruption of these systems could adversely affect SS/L s business.

SS/L s information technology, or IT, systems are an integral part of its business. SS/L depends on its IT systems and software applications it has developed internally for scheduling, sales order entry, purchasing, materials management, accounting and production functions. Some of SS/L s systems are not fully redundant, and SS/L s disaster recovery planning does not account for all eventualities. A serious disruption to SS/L s IT systems could significantly limit SS/L s ability to manage and operate its business efficiently, which in turn could have a material adverse effect on our business, results of operations and financial condition.

SS/L is exposed to foreign currency exchange rate risks that could have a material adverse effect on our business, results of operations or financial condition.

SS/L is exposed to foreign currency exchange rate risks that are inherent in its satellite sales contracts, anticipated satellite sales and vendor purchase commitments that are denominated in currencies other than the U.S. dollar. SS/L s exposure to foreign currency exchange rates relates primarily to the euro and the Japanese yen. In addition, SS/L purchases certain supplies and materials from suppliers located outside of the U.S. Failure to sufficiently hedge or otherwise manage foreign currency risks properly could have a material adverse effect on our business, results of operations or financial condition.

For the year ended December 31, 2010, approximately 44% of SS/L s revenues were generated from customers outside of the United States. Almost all of SS/L s contracts with foreign customers require payment in U.S. dollars. Customers in developing countries could have difficulty obtaining U.S. dollars to pay SS/L due to currency exchange controls and other factors. Exchange rate fluctuations may adversely affect the ability of our customers to pay in U.S. dollars. Certain European customers, or potential customers, conduct their business in euros and may choose to contract with SS/L in euros, for which SS/L will need to hedge its foreign exchange exposure. Also, devaluation of the euro versus the U.S. dollar may hurt SS/L s competitive position with respect to its European-based competitors.

SS/L is subject to U.S. and foreign laws and regulations, including U.S. export control and economic sanctions laws, which may result in delays, lost business and additional costs, and any changes in any of these laws and regulations may have a material and adverse effect on our business and results of operations.

The satellite manufacturing industry is highly regulated due to the sensitive nature of satellite technology. It is possible that the laws and regulations governing SS/L s business and operations will change in the future. There may be a material adverse effect on our business and results of operations if SS/L is required to alter its business operations to comply with such changes in law or if SS/L s ability to sell its products and services on a global basis is reduced or restricted due to increased U.S. or foreign government regulation.

SS/L is required by the International Traffic in Arms Regulations, or ITAR, administered by the U.S. State Department, to obtain licenses and enter into technical assistance agreements to export satellites and related equipment and to disclose technical data or provide defense services to foreign persons. In addition, if a satellite project involves countries, individuals or entities that are the subject of U.S. economic sanctions, which we refer to here as Sanctions Targets, or is intended to provide services to Sanctions Targets, SS/L s participation in the project may be prohibited altogether or licenses or other approvals from the U.S. Treasury Department s Office of Foreign Assets Control, or OFAC, may be required. The delayed receipt of or the failure to obtain the necessary U.S. Government licenses, approvals and agreements may prohibit entry into or interrupt the completion of a satellite contract by SS/L and could lead to a customer s termination of a contract for default, monetary penalties and/or the loss of incentive payments. SS/L has in the past failed to obtain the export licenses necessary to deliver satellites to its Chinese customers.

24

Table of Contents

Some of SS/L s customers and potential customers, along with insurance underwriters and brokers, have asserted that U.S. export control laws and regulations governing disclosures to foreign persons excessively restrict their access to information about the satellite during construction and on-orbit. OFAC sanctions and requirements may also limit certain business opportunities or delay or restrict SS/L s ability to contract with potential foreign customers or operators. To the extent that SS/L s non-U.S. competitors are not subject to these export control or economic sanctions laws and regulations, they may enjoy a competitive advantage with foreign customers, and it could become increasingly difficult for the U.S. satellite manufacturing industry, including SS/L, to recapture this lost market share. Customers concerned over the possibility that the U.S. government may deny the export license necessary for SS/L to deliver their purchased satellite to them, or the restrictions or delays imposed by the U.S. government licensing requirements, even where an export license is granted, may elect to choose a purportedly ITAR-free satellite offered by one of SS/L s European competitors over SS/L s satellite. SS/L is further disadvantaged by the fact that a purportedly ITAR-free satellite may be launched less expensively in China on the Chinese Long March rocket, a launch vehicle that, because of ITAR restrictions, is not available to SS/L or other suppliers subject to ITAR restrictions.

SS/L uses estimates in accounting for many contracts. Changes in these estimates could have a material adverse effect on our future financial results.

Contract accounting requires significant judgments relative to assessing risks, estimating contract revenues and costs and making assumptions for scheduling and technical issues. Due to the nature of many of SS/L s contracts, the estimation of total revenues and costs at completion is complicated and subject to many variables. For example, significant assumptions have to be made regarding the length of time to complete the contract because costs also include expected increases in wages and prices for materials. Incentives, penalties and award fees related to performance on contracts are considered in estimating revenue and profit rates, and are recorded when there is sufficient information for SS/L to assess anticipated performance.

Because of the significance of the judgments and estimation processes described above, it is possible that materially different amounts could be obtained if different assumptions were used or if the underlying circumstances or estimates were to change or ultimately be different from SS/L s expectations. Changes or inaccuracies in underlying assumptions, circumstances or estimates may have a material adverse effect upon future period financial results.

Industry consolidation in the satellite services industry may adversely affect SS/L.

Industry consolidation has resulted in the formation of satellite operators with greater satellite resources and increased coverage. This consolidation and any additional consolidation in the future may reduce demand for new satellite construction as operators may need fewer satellites in orbit to provide back-up coverage or to rationalize the amount of capacity available in certain geographic regions. It may also result in concentrating additional bargaining power in the hands of large customers, which could increase pressure on pricing, risk allocation and other contractual terms.

We do not control satellite procurement decisions at Telesat.

Although we hold 64% of the economic interests in Telesat, we do not control satellite procurement decisions at Telesat, and it is possible that Telesat will not purchase additional satellites from SS/L. Moreover, any decision relating to the enforcement of existing or future satellite contracts between Telesat and SS/L will be made on arms-length terms and, in certain cases, subject to approval by the disinterested directors of Telesat. Moreover, as a result of our interest in Telesat, SS/L may experience difficulty in obtaining orders from certain customers engaged in the satellite services business who compete with Telesat. In addition, Telesat s board of directors and shareholders have authorized a process to explore an initial public offering or other strategic alternatives. As a result of such process, it is possible that SS/L could cease to be an affiliate of Telesat, which could adversely affect SS/L s ability to obtain future satellite construction orders from Telesat.

Table of Contents

Federal government contracts may be terminated by the federal government at any time prior to their completion and contain other unfavorable provisions, which could lead to unexpected loss of sales and reduction in backlog.

SS/L contracts with the federal government. Under the terms of federal government contracts, the federal government may unilaterally:

terminate or modify existing contracts;

reduce the value of existing contracts through partial termination;

delay the payment of SS/L s invoices by government payment offices;

audit SS/L s contract-related costs; and

suspend SS/L from receiving new contracts pending resolution of any alleged violations of procurement laws or regulations.

The federal government may terminate or modify any of its contracts with SS/L either for its convenience, or if SS/L defaults by failing to perform under the terms of the applicable contract. A termination arising out of SS/L s default could expose SS/L to liability and have a material adverse effect on SS/L s ability to compete for future contracts and subcontracts. If the federal government terminates and/or materially modifies any of SS/L s contracts or if any applicable options are not exercised, SS/L s failure to replace sales generated from such contracts would result in lower sales and could adversely affect our earnings, which could have a material adverse effect on our business, results of operations and financial condition.

SS/L s business could be adversely affected by a negative audit or other actions, including suspension or debarment, by the federal government.

As a federal government contractor, SS/L must comply with and is affected by laws and regulations relating to the formation, administration and performance of government contracts. These laws and regulations affect how SS/L does business with the federal government and its prime government contractors and subcontractors, and, in some instances, impose added costs on SS/L s business. Federal government agencies routinely audit and investigate government contractors. These agencies review each contractor s contract performance, cost structure and compliance with applicable laws, regulations and standards. Such agencies also review the adequacy of, and a contractor s compliance with, its internal control systems and policies, including the contractor s purchasing, property, estimating, compensation and management information systems. Any costs found to be improperly allocated to a specific contract will not be reimbursed.

Risk Factors Associated With Satellite Services

A substantial amount of Telesat revenues are derived from only a few of its customers. A loss of one or more of these major customers, or a material adverse change in any such customer s business or financial condition, could materially reduce Telesat future revenues and contracted backlog.

For the year ended December 31, 2010, Telesat s top five customers together accounted for approximately 51% of its revenues. At December 31, 2010, Telesat s top five backlog customers together accounted for approximately 89% of its backlog. If any of Telesat s major customers chose to not renew their contracts at the expiration of the existing terms or sought to negotiate concessions, particularly on price, that could have a material adverse effect on Telesat s results of operations, business prospects and financial condition. Telesat s customers could experience a downturn in their business or find themselves in financial difficulties, which could result in their ceasing or reducing their use of Telesat s services (or becoming unable to pay for services they had contracted to buy). In addition, the industries in which some of Telesat s customers operate are undergoing significant consolidation, and Telesat s customers may be acquired by other companies, including by its competitors. Such acquisitions could adversely affect Telesat s ability to sell services to such customers and to any end-users whom they serve.

26

Table of Contents

Additionally, Telesat s largest customer, Bell TV, is part of BCE. Since the Telesat transaction, Telesat is no longer a subsidiary of BCE or an affiliate of Bell TV and may have lost certain competitive advantages with respect to Bell TV. There is no guarantee that Bell TV will continue using Telesat s services after the expiration of its current contracts.

Launch delays or failures may result in delays in operations.

Delays in launching satellites are not uncommon and result from construction delays, the unavailability of appropriate launch vehicles, launch failures and other factors. Delays in satellite launches would result in delays in Telesat s revenues, could affect plans to replace an in-orbit satellite prior to the end of its useful life, could result in the expiration or cancellation of launch insurance, could result in the loss of orbital slot rights, termination of contracts by affected customers and a reduction in contracted backlog. Upon termination of a customer contract, Telesat would be required to refund any prepayments made to it by its terminating customer, which in the case of a major customer, may be substantial.

Satellite launches are risky, and some launch attempts have ended in complete or partial failure. A significant delay or launch failure of a Telesat satellite may have a material adverse effect on Telesat s results of operations, business prospects and financial condition, which in turn would have a material adverse effect on our results and condition.

For example, the March 15, 2008 failure of a Proton rocket to lift its satellite payload to the appropriate orbit caused a delay in the planned launch of the Nimiq 4 satellite, originally scheduled to be launched on a Proton rocket in mid-2008. Although Nimiq 4 successfully launched in September 2008, the launch delay caused a delay in receipt of revenues from that satellite in 2008 and deferred the backlog run-off previously anticipated for Nimiq 4 in 2008. The launch of Telstar 14R/Estrela do Sul, which is planned to be launched in mid-2011, may likewise also be delayed if the launch vehicle on which it is scheduled to be launched suffers a failure prior to the launch of Telstar 14R.

After launch, satellites remain vulnerable to in-orbit failures which may result in reduced revenues and profits and other financial consequences.

Satellites utilize highly complex technology and operate in the harsh environment of space and therefore are subject to significant operational risks while in orbit. In-orbit damage to or loss of a satellite before the end of its expected life results from various causes, some random, including component failure, degradation of solar panels, loss of power or fuel, inability to maintain the satellite s position, solar and other astronomical events and space debris.

Some of Telesat s satellites have had malfunctions and other anomalies, and in certain cases are currently operating using back-up components because of the failure of their primary components. If the back-up components fail, however, and Telesat is unable to restore capability through redundancy or other means, these satellites could lose capacity or be total losses. Any single anomaly or series of anomalies or other failure could cause Telesat s revenues, cash flows and backlog to decline materially, could require it to recognize an impairment loss and could require Telesat to expedite its satellite replacement program, affecting its profitability and increasing its financing needs. It could also require Telesat to repay prepayments made by customers of the affected satellite. It could also result in a customer terminating its contract for service on the affected satellite. If the affected satellite involves one of Telesat s major customers, there could be a material adverse effect on Telesat s operations, prospects, results and financial condition, which in turn would adversely affect us.

It may be difficult to obtain full insurance coverage for satellites that have, or are part of a family of satellites that has, experienced problems in the past; moreover, not all satellite-related losses will be covered by insurance.

Telesat s satellite insurance does not protect it against all satellite-related losses. For example, satellite insurance will not protect it against business interruption, lost revenues or delay of revenues. Telesat also does not have in-orbit insurance coverage for all of the satellites in its fleet. Telesat s existing launch and in-orbit insurance policies include, and future policies are expected to include, specified exclusions, deductibles and material change limitations. Typically, these insurance policies exclude coverage for damage arising from acts of war and other exclusions then customary in the industry. In addition, they typically exclude coverage for health-related problems affecting satellites that are known at the time the policy is written. To the extent Telesat experiences a launch or in-orbit failure that is not fully insured, or for which insurance proceeds are delayed or disputed, it may not have sufficient resources to replace the affected satellite.

27

Table of Contents

Launch and in-orbit policies on satellites may not continue to be available on commercially reasonable terms or at all. The loss of a satellite may have a material adverse effect on Telesat s results of operations, business prospects and financial condition, which may not be adequately mitigated by insurance coverage.

Telesat competes for market share, customers and orbital slots.

A trend toward consolidation of major FSS providers has resulted in the creation of global competitors which are substantially larger than Telesat in terms of both the number of satellites they have in orbit as well as in terms of their revenues. Due to their larger sizes, these operators are able to take advantage of greater economies of scale, may be more attractive to customers, and may have greater flexibility to restore service to their customers in the event of a partial or total satellite failure. Telesat also faces competition from regional operators, which may enjoy competitive advantages in their local markets. Telesat s affiliation with us may also adversely affect its ability to compete for certain contracts, especially in its consulting services business. In addition, Telesat competes for local regulatory approval in places where more than one provider may want to operate and for scarce frequency assignments and a limited supply of orbital locations.

Telesat s business is also subject to competition from ground based forms of communications technology. For many point-to-point and other services, the offerings provided by terrestrial companies can be more competitive than the services offered via satellite. New technology could also render satellite-based services less competitive by satisfying consumer demand in other ways. Telesat s failure to compete effectively would result in, among other things, a loss of revenue and a decline in profitability, and a decrease in the value of its business.

Changes in the Canadian competitive environment could adversely affect Telesat.

A substantial portion of Telesat s business is expected to continue in the Canadian domestic market. This market is characterized by increasing competition and rapid technological development among satellite providers. The Canadian regulatory framework has always required the use of Canadian-licensed satellites for the delivery of direct-to-home (DTH) programming in Canada. It is possible that this framework could change and allow non-Canadian satellite operators to compete for future business from DTH customers, which constitute some of Telesat s major customers. Industry Canada, the Canadian telecommunications authority, has authorized Telesat to operate at a number of orbital locations. Industry Canada has also awarded a number of licenses to a new Canadian satellite provider, Ciel Satellite Group, including licenses to spectrum suitable for providing a variety of satellite services to Canadian customers. Increased competition in Canada may adversely affect Telesat s access rights to certain Canadian orbital locations, which in turn could adversely affect Telesat s results of operations, business prospects and financial condition.

Telesat operates in a highly regulated industry and government regulations may adversely affect its business.

Telesat is subject to the laws of Canada and the United States and the telecommunications regulatory authorities of the Canadian government, primarily the Canadian Radio-Television and Telecommunications Commission, or CRTC, and Industry Canada, as well as those of the United States government, primarily the Federal Communications Commission, or FCC, the International Telecommunications Union, or the ITU, the European Union, Brazil and Isle of Man. It is also subject to the laws and regulations of other countries to, from or within which it provides services. Regulatory authorities can modify, withdraw or impose charges or conditions upon, or deny or delay action on applications for, the licenses Telesat needs for its business, including its access rights to orbital positions. Countries or regulatory authorities may adopt new laws, policies or regulations, change their interpretation of existing laws, policies or regulations or otherwise take actions in a manner that could adversely affect Telesat s operations or revenues.

Table of Contents

To prevent frequency interference, the regulatory process requires potentially lengthy and costly negotiations with third parties who operate or intend to operate satellites at or near the locations of Telesat satellites. These negotiations have resulted in financial concessions in the past and there can be no assurance that such concessions may not be required in the future. The failure to reach an appropriate arrangement with a third party having priority rights at or near one of Telesat s orbital slots may result in substantial restrictions on the use and operation of its satellite at that location. For example, the Russian Satellite Communications Company (RSCC) has announced that it has signed contracts for the development of a satellite which it intends to launch and operate at 14° WL, adjacent to the location of Telesat s Telstar 12 satellite at 15° WL. RSCC s ITU rights over certain frequencies at 14° WL have priority over Telesat s use of these same frequencies in its operation of Telstar 12. Telesat is currently in frequency coordination discussions with RSCC. If Telesat fails to reach an appropriate arrangement with RSCC, it may result in restrictions on the use and operation of Telstar 12 which could materially restrict Telesat s ability to earn revenue from Telstar 12 and any replacement satellite or may make a replacement satellite not economically viable.

In addition, while the ITU rules require later-in-time systems to coordinate with it, there can be no assurance that other operators will conduct their operations so as to avoid transmitting any signals that would cause harmful interference to the operation of Telesat s satellites.

Failure to successfully coordinate Telesat s satellites frequencies or to resolve other required regulatory approvals could have an adverse effect on its financial condition, as well as on the value of its business, which would in turn adversely affect us.

Telesat s ability to replace one of its satellites is subject to additional risk and cannot be assured.

In addition to the risks with respect to Telesat s ability to renew its licenses to orbital locations, there is also a specific risk with respect to Telesat being able to replace Telstar 18. Telesat operates Telstar 18 pursuant to agreements with APT Satellite Company Limited (APT) that has a license to use the orbital location controlled by the government of Tonga. Although Telesat s agreement with APT provides Telesat with renewal rights with respect to a replacement satellite at this orbital location, there can be no assurance that renewal rights will be granted. Should Telesat be unsuccessful in obtaining renewal rights for the orbital location because of the control of the orbital location exercised by Tonga, or should Telesat otherwise fail to enter into agreements with APT with respect to such replacement satellite, all revenue obtained from Telstar 18 would cease and such loss of revenue could have a material adverse effect on Telesat s results of operations and financial condition, which would in turn adversely affect us.

III. Other Risks

Third parties have significant rights with respect to our affiliates.

Third parties have significant rights with respect to, and we do not have control over management of, our affiliates. For example, Hisdesat enjoys substantial approval rights in regard to XTAR, our X-band joint venture. Also, while we own 64% of the participating shares of Telesat, we own only $33^{1}/_{3}$% of the voting power. The rights of these third parties and fiduciary duties under applicable law could result in others acting or failing to act in ways that are not in our best interest. While these entities are or have been customers of SS/L, due to these third party rights and the fiduciary duties of the boards of these entities, there can be no assurance that these entities will continue to be customers of SS/L, and SS/L does not expect to do business with these entities on other than fair and competitive terms.

The loss of executive officers and our inability to retain other key personnel could materially adversely affect our operations.

The departure of any of our executive officers and our inability to retain other key employees, including personnel with security clearances for classified work and highly skilled engineers and scientists, could have a material adverse effect on our operations.

Table of Contents

MHR may be viewed as our controlling stockholder and may have conflicts of interest with us in the future.
As of December 31, 2010, various funds affiliated with MHR held approximately 38.9% of the outstanding voting common stock of Loral as well as all issued and outstanding shares of Loral non-voting common stock, which, when taken together, represent approximately 58.0% of the common equity of Loral as of December 31, 2010. As of March 1, 2011, representatives of MHR occupy two of the seven seats on our board of directors and a former managing principal of MHR is also on our board of directors. In addition, one of our other directors was selected by the creditors committee in our predecessor s chapter 11 cases, in which MHR served as the chairman. Conflicts of interests may arise in the future between us and MHR. For example, MHR and its affiliated funds are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Under our agreement with PSP, subject to certain exceptions, in the event that either (i) ownership or control, directly or indirectly, by Dr. Mark H. Rachesky, President of MHR, of our voting stock falls below certain levels or (ii) there is a change in the composition of a majority of the members of the Loral board of directors over a consecutive two-year period, we will lose our veto rights relating to certain actions by Telesat. In addition, after either of these events, PSP will have certain rights to enable it to exit from its investment in Telesat, including a right to cause Telesat to conduct an initial public offering in which PSP s shares would be the first shares offered or, if no such offering has occurred within one year due to a lack of cooperation from Loral or Telesat, to cause the sale of Telesat and to drag along the other shareholders in such sale, subject to our right to call PSP s shares at fair market value.
Changes in tax rates or policies or changes to our tax liabilities could affect operating results.
We are subject to U.S. federal, state and local income taxation on our worldwide income and foreign taxes on certain income from sources outside the United States. Significant judgment is required to determine and estimate our tax liabilities, and our future annual and quarterly tax rates could be affected by numerous factors, including changes in the applicable tax laws, composition of earnings in countries or states with differing tax rates or our valuation and utilization of deferred tax assets and liabilities. In addition, we are subject to regular examination of our income tax returns by the Internal Revenue Service and other taxing authorities. Although we believe our tax estimates are reasonable, we regularly evaluate the adequacy of our provision for income taxes, and there can be no assurance that any final determination by a taxing authority will not result in additional tax liability which could have a material adverse effect on our results of operations.
The future use of tax attributes is limited.
As of December 31, 2010, we had federal net operating loss carryforwards, or NOLs of approximately $417 million and state NOLs, primarily California of approximately $303 million, that are available to offset future taxable income (see Notes 2 and 9 to the Loral consolidated financial statements for a description of the accounting treatment of such NOLs). As our reorganization on November 21, 2005 constituted an ownership change under Section 382 of the Internal Revenue Code, our ability to use these NOLs, as well as certain other tax attributes existing at such effective date, is subject to an annual limitation of approximately $32.6 million, subject to increase or decrease based on certain factors. If Loral experiences an additional ownership change during any three-year period after November 21, 2005, future use of these tax attributes may become further limited. An ownership change may be triggered by sales or acquisitions of Loral equity interests in excess of 50% by shareholders owning five percent or more of our total equity value, i.e., the total market value of our equity interests, as determined on any applicable testing date. We would be adversely affected by an additional ownership change if at the time of such change, our total equity value multiplied by the federal applicable long-term tax exempt rate which at December 31, 2010 was 3.67% was less than $32.6 million. As of December 31, 2010, since our total equity value of $2.3 billion multiplied by the federal applicable long-term tax exempt rate was approximately $85 million an ownership change as of that date would have no adverse effect.
There is a thin trading market for our common stock.
Trading activity in our stock, which is listed on the NASDAQ National Market, has generally been light, averaging approximately 57,000 shares per day for the year ended December 31, 2010. Moreover, over 50% of our common stock is effectively held by MHR and several other stockholders. If any of our significant stockholders should sell some or all of their holdings, it will likely have an adverse effect on our share price. Although the funds affiliated with MHR have restrictions on their ability to sell our shares under U.S. securities laws, we have filed a shelf registration

statement in respect of the common stock and non-voting common stock they hold in Loral that eliminates such restrictions. Such funds also have other demand and piggyback registration rights in respect of their Loral common stock and non-voting common stock that would also, if exercised, eliminate such restrictions.

Table of Contents

The market for our stock could be adversely affected by future issuance of significant amounts of our common stock.

As of December 31, 2010, 20,924,874 shares of our voting common stock and 9,505,673 shares of our non-voting common stock were outstanding. On that date, there were outstanding options to purchase 1,134,915 shares of our common stock, of which 1,072,415 were vested and exercisable and of which 62,500 will become vested and exercisable over the next two years. There were also 70,811 non-vested restricted stock units outstanding as of December 31, 2010. These restricted stock units, which may be settled either in cash or Loral stock at the Company s option, vest over the next one and a half years. As of December 31, 2010, 682,663 shares of our common stock were available for future grants under our stock incentive plan. The number of shares available for grant would be reduced if SS/L phantom stock appreciation rights are settled in Loral common stock. Moreover, we may further amend our stock incentive plan in the future to provide for additional increases in the number of shares available for grant thereunder.

Sales of significant amounts of our common stock to the public, or the perception that those sales could happen, could adversely affect the market for, and the trading price of, our common stock.

We are subject to the Foreign Corrupt Practices Act.

SS/L engages in marketing, procurement of supplies and services, launch activities and satellite sales to customers located outside of the United States. We are subject to the Foreign Corrupt Practices Act, or the FCPA, which generally prohibits U.S. companies and their intermediaries from making corrupt payments to foreign officials for the purpose of obtaining or keeping business or otherwise obtaining favorable treatment, and requires companies to maintain adequate record-keeping and internal accounting practices to accurately reflect the transactions of the company. The FCPA applies to companies, individual directors, officers, employees and agents. Under the FCPA, U.S. companies may be held liable for actions taken by strategic or local partners or representatives. If we or our intermediaries fail to comply with the requirements of the FCPA, governmental authorities in the United States could seek to impose civil and/or criminal penalties, which could have a material adverse effect on our business, results of operations, financial conditions and cash flows.

We may incur costs to comply with or address liabilities under environmental regulations.

We are subject to various federal, state and local environmental health and safety laws and regulations governing our properties and the operation of our business, including those relating to air emissions, wastewater discharges, the handling, storage and disposal of hazardous substances and wastes, the management of asbestos-containing building materials and non-ionizing radiation equipment, releases of hazardous and toxic materials and the remediation of contamination at real property. In addition, electronic devices or components are subject to regulation in various jurisdictions requiring end-of-life management, including recycling, and/or restrictions on certain materials used in manufactured products. Compliance with such laws may result in significant liabilities and costs, including property damage or personal injury claims, investigation and remediation costs, penalties, capital expenditures to install or upgrade pollution control equipment, the temporary suspension of production, or a cessation of operations. Our failure to comply with such laws and regulations could have a material adverse effect on our business, financial condition or results of operations in the future. In addition, new or stricter requirements relating to environmental health and safety laws, including restrictions on greenhouse gas emissions, or materials use could result in us incurring unanticipated capital costs or operating expenses, for example, for fuel or raw materials. In addition, some environmental laws, such as the U.S. federal Superfund law and similar state statutes, can impose liability for the entire cost of cleanup of contaminated sites upon any of the current or former site owners or operators or upon parties who sent, or arranged to send, wastes to these sites, regardless of fault or lawfulness of the original disposal activity.

Table of Contents

Accounting standards periodically change and the application of our accounting policies and methods may require management to make estimates about matters that are uncertain.

The regulatory bodies that establish accounting standards, including, among others, the Financial Accounting Standards Board, or the FASB, and the U.S. Securities and Exchange Commission, or the SEC, periodically revise or issue new financial accounting and reporting standards that govern the preparation of our consolidated financial statements. Given our reliance on estimates and on the cost-to-cost percentage of completion method of recognizing revenue, changes in accounting standards, especially revenue recognition, may have a greater effect on us than on many companies. The effect of such revised or new standards on our consolidated financial statements can be difficult to predict and can materially affect how we record and report our results of operations and financial condition. In addition, our management must exercise judgment in appropriately applying many of our accounting policies and methods so they comply with generally accepted accounting principles. In some cases, the accounting policy or method chosen might be reasonable under the circumstances and yet might result in our reporting materially different amounts than would have been reported if we had selected a different policy or method. Accounting policies are critical to fairly presenting our results of operations and financial condition and may require management to make difficult, subjective or complex judgments about matters that are uncertain.

Litigation and Disputes

We are involved in a number of ongoing lawsuits.

We are involved in a number of lawsuits, details of which can be found in Note 14 to the Loral consolidated financial statements. In addition, we are involved in a number of disputes which might result in litigation. A decision against us in any of these lawsuits or disputes could have a material adverse affect on our financial condition and our results of operations.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

Corporate

We lease approximately 16,000 square feet of space for our corporate offices in New York.

Satellite Manufacturing

Headquartered in Palo Alto, California, with additional facilities located in nearby Menlo Park, Mountain View, and Sunnyvale, SS/L s campus as of December 31, 2010 encompasses 1.27 million square feet, approximately 564,000 square feet of which are owned and 711,000 square feet of which are leased, spanning 33 buildings on 72 acres. The obligations under the SS/L credit agreement are secured by a first mortgage on these owned properties.

The facilities were expanded in 2007 and 2008 to accommodate as many as nine to 13 satellite construction awards per year, depending on the complexity and timing of the specific satellites, and SS/L can accommodate the integration and testing of 13 to 14 satellites at any given time in its Palo Alto facility. At these facilities SS/L is able to construct the entire satellite from design, to manufacturing, assembly, integration, testing, preparation for shipment to launch sites and orbit raising mission control at one location located in the heart of the Silicon Valley.

SS/L s Palo Alto facilities include four major high bays, dedicated to satellite assembly, system integration and testing of satellite platforms, communication panel assemblies and full satellite assemblies. Testing facilities include a 39-foot thermal vacuum chamber, a compact antenna test range, a near-field antenna test range, vibration test labs and a new multiplexer lab, allowing for timely scheduling of satellite testing and flexibility in accommodating backlog.

Table of Contents

SS/L has recently upgraded and expanded its factory in support of increased manufacturing and production, including a new 21,000 square foot repeater products facility and investments in new equipment, tools and proprietary processes. SS/L employs modern manufacturing technologies, with a composites manufacturing facility to provide advanced materials development, and state of the art antenna reflectors and lightweight structural components. Avionics and power control units are manufactured and tested on site in a specialized facility. RF and electronics subassembly and subsystem manufacturing and integration facilities and a solar array manufacturing facility are also located at the Palo Alto campus. A nearly three-decades-long history of engineering, manufacturing and testing of solar arrays, solar array drive assemblies and batteries has also led to the development of specialized facilities on SS/L s campus.

SS/L s technologically advanced mission control center, with three separate control rooms, can support three launch campaigns simultaneously, from launch and orbit raising, through on-orbit testing. Emergency backup generators, as well as backup communication equipment, are kept at the ready during all campaigns to ensure the successful launch and on-orbit delivery of SS/L satellites.

SS/L also maintains secured spaces in our buildings in Palo Alto, meeting all clearance requirements for its current classified government projects.

In addition to SS/L s facilities, SS/L has established good working relationships with corporations that have suitable additional facilities to meet its overflow requirements. SS/L has a close working relationship with the David Florida Laboratories in Ottawa, Canada for use of their thermal vacuum chamber and has a relationship with MacDonald, Dettwiler and Associates Ltd. to allow for use of their near field test facility for antenna subsystems.

SS/L believes that the facilities for satellite manufacturing are sufficient for current operations. Further, a single campus and small organization enables SS/L s leadership team to quickly communicate with employees throughout the organization, enables SS/L to engage in immediate cross-functional team problem solving when issues do arise, and enables employees to grow their careers in a variety of disciplines and functions.

Satellite Services

Telesat leases an area in its headquarters building of approximately 112,000 rentable square feet pursuant to a lease which provides for a fifteen year term (terminable by Telesat at anytime after ten years upon two years notice), commencing February 1, 2009. During 2010, Telesat sold its fifty percent interest, as tenant in common, in its headquarters building.

The Allan Park earth station, located northeast of Toronto, Ontario on 65 acres of land, houses a customer support center and a technical control center. This facility is also the back-up satellite control center and the main earth station complex.

In addition to these facilities, Telesat leases office space for teleport facilities, satellite control operations and for administrative and sales offices.

Item 3. ***Legal Proceedings***

We discuss certain legal proceedings pending against the Company in the notes to the Loral consolidated financial statements and refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and relief sought. See Note 14 to the Loral consolidated financial statements for this discussion.

Item 4. ***(Removed and Reserved)***

Table of Contents

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

(a) Market Price and Dividend Information

Loral s amended and restated certificate of incorporation provides that the total authorized capital stock of the Company is eighty million (80,000,000) shares consisting of two classes: (i) seventy million (70,000,000) shares of common stock, $0.01 par value per share (Common Stock), divided into two series, of which 50,000,000 shares are voting common stock (Voting Common Stock) and 20,000,000 shares are non-voting common stock (Non-Voting Common Stock) and (ii) ten million (10,000,000) shares of preferred stock, $0.01 par value per share. Each share of Voting Common Stock and each share of Non-Voting Common Stock are identical and are treated equally in all respects, except that the Non-Voting Common Stock does not have voting rights except as set forth in Article IV(a)(iv) of the amended and restated certificate of incorporation and as otherwise provided by law. Article IV(a)(iv) of Loral s amended and restated certificate of incorporation provides that Article IV(a) of the amended and restated certificate of incorporation, which provides for, among other things, the equal treatment of the Non-Voting Common Stock with the Voting Common Stock, may not be amended, altered or repealed without the affirmative vote of holders of a majority of the outstanding shares of the Non-Voting Common Stock, voting as a separate class. Except as otherwise provided in the amended and restated certificate of incorporation or bylaws of Loral, each holder of Loral Voting Common Stock is entitled to one vote in respect of each share of Loral Voting Common Stock held of record on all matters submitted to a vote of stockholders.

Holders of shares of Loral Common Stock are entitled to share equally, share for share in dividends when and as declared by the Board of Directors out of funds legally available for such dividends. Upon a liquidation, dissolution or winding up of Loral, the assets of Loral available to stockholders will be distributed equally per share to the holders of Loral Common Stock. The holders of Loral Common Stock do not have any cumulative voting rights. Loral Common Stock has no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to Loral Common Stock. All outstanding shares of Loral Common Stock are fully paid and non-assessable.

Our Voting Common Stock trades on the NASDAQ National Market under the ticker symbol LORL. The table below sets forth the high and low sales prices of Loral Voting Common Stock as reported on the NASDAQ National Market from January 1, 2009 through December 31, 2010.

	High	Low
Year ended December 31, 2010		
Quarter ended December 31, 2010	$ 85.16	$ 51.30
Quarter ended September 30, 2010	56.85	41.53
Quarter ended June 30, 2010	45.45	33.30
Quarter ended March 31, 2010	36.55	26.35
Year ended December 31, 2009		
Quarter ended December 31, 2009	$ 34.89	$ 24.74
Quarter ended September 30, 2009	29.06	19.27
Quarter ended June 30, 2009	34.83	19.75
Quarter ended March 31, 2009	22.90	8.90

There is no established trading market for the Company s Non-Voting Common Stock. See Note 10 to the Loral consolidated financial statements for a further discussion of the Non-Voting Common Stock issued by Loral in December 2008. All of the shares of Non-Voting Common Stock were issued pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the Securities Act) provided by Section 4(2) of the Securities Act.

(b) Approximate Number of Holders of Common Stock

At March 1, 2011, there were 298 holders of record of our voting common stock and five holders of record of our non-voting common stock.

34

Table of Contents

(c) Dividends

Loral s ability to pay dividends or distributions on its common stock will depend upon its earnings, financial condition and capital needs and other factors deemed pertinent by the Board of Directors. To date, Loral has not paid any dividends on its common stock.

(d) Securities Authorized for Issuance under Equity Compensation Plans

See Note 10 to the Loral consolidated financial statements for information regarding the Company s stock compensation plan. Compensation information required by Item 11 will be presented in the Company s 2011 definitive proxy statement which is incorporated herein by reference.

(e) Comparison of Cumulative Total Returns

Set forth below is a graph comparing the cumulative performance of our common stock with the NASDAQ Composite Index, and the NASDAQ Telecommunications Index from December 31, 2005 to December 31, 2010. The graph assumes that $100 was invested on December 31, 2005 in each of our common stock, the NASDAQ Composite Index and the NASDAQ Telecommunications Index and that all dividends were reinvested. The NASDAQ Telecommunications Index is a capitalization weighted index designed to measure the performance of all NASDAQ-traded stocks in the telecommunications sector, including satellite technology companies.

Item 6. Selected Financial Data

The following table sets forth our selected historical financial and operating data for each of the five years in the period ended December 31, 2010.

Until October 31, 2007, the operations of our satellite services segment were conducted through Loral Skynet Corporation (Loral Skynet). On October 31, 2007, Loral and its Canadian partner, Public Sector Pension Investment Board (PSP), through Telesat Holdco, a newly formed joint venture, completed the acquisition of Telesat from BCE Inc. (BCE). In connection with this acquisition, Loral transferred on that same date substantially all of the assets and related liabilities of Loral Skynet to Telesat. Therefore, Loral Skynet has been excluded from the selected financial data subsequent to October 31, 2007. We refer to this acquisition and transfer of assets and liabilities as the Telesat transaction.

Table of Contents

The information set forth in the following table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K.

LORAL SPACE & COMMUNICATIONS INC.
(In thousands, except per share data)

	Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Statement of operations data:					
Revenues:					
Satellite Manufacturing	$ 1,158,985	$ 993,400	$ 869,398	$ 761,363	$ 636,632
Satellite Services				121,091	160,701
Total Revenues	1,158,985	993,400	869,398	882,454	797,333
Operating income (loss)[1]	80,608	20,211	(193,977)	45,256	29,818
Income (loss) before income taxes and equity in net income (losses) of affiliates[2][3]	93,094	26,975	(151,523)	157,786	30,117
Income tax benefit (provision)[4]	308,622	(5,571)	(45,744)	(83,457)	(20,880)
Income (loss) before equity in net income (losses) of affiliates	401,716	21,404	(197,267)	74,329	9,237
Equity in net income (losses) of affiliates[5]	85,625	210,298	(495,649)	(21,430)	(7,163)
Net income (loss)	487,341	231,702	(692,916)	52,899	2,074
Net (income) loss attributable to noncontrolling interest	(495)			(23,240)	(24,794)
Net income (loss) attributable to Loral	486,846	231,702	(692,916)	29,659	(22,720)
Preferred dividends			(24,067)	(19,379)	
Beneficial conversion feature related to the issuance of Loral Series A-1 Preferred Stock[6]				(25,685)	
Net income (loss) applicable to Loral s common shareholders	$ 486,846	$ 231,702	$ (716,983)	$ (15,405)	$ (22,720)
Basic and diluted income (loss) per share:					
Basic income (loss) per share	$ 16.18	$ 7.79	$ (35.13)	$ (0.77)	$ (1.14)
Diluted income (loss) per share	$ 15.63	$ 7.73	$ (35.13)	$ (0.77)	$ (1.14)
Cash flow data:					
Provided by (used in) operating activities	$ 41,949	$ 154,562	$ (202,210)	$ 27,123	$ 88,002
(Used in) provided by investing activities	(54,057)	(48,750)	(47,308)	61,519	(175,978)

Provided by (used in) financing activities	9,704	(55,155)	52,372	39,510	(1,278)

	December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Balance sheet data:					
Cash and cash equivalents	$ 165,801	$ 168,205	$ 117,548	$ 314,694	$ 186,542
Short-term investments					106,588
Total assets	1,754,909	1,253,452	995,867	1,702,939	1,729,911
Debt, including current portion			55,000		128,084
Non-current liabilities	414,013	380,143	381,836	289,602	321,015
Equity					
Loral shareholders equity	$ 900,320	$ 431,991	$ 209,657	$ 973,558	$ 647,002
Non-controlling interest	629				214,256
Total equity	$ 900,949	$ 431,991	$ 209,657	$ 973,558	$ 861,258

(1) During 2008, we recorded a goodwill impairment charge of $187.9 million. In connection with the Telesat transaction, which closed on October 31, 2007, we recognized a gain of $104.9 million in 2007 on the contribution of substantially all of the assets and related liabilities of Loral Skynet to Telesat. See Note 6 to the Loral consolidated financial statements.

(2) In connection with the Telesat transaction during 2007, we recognized a gain on foreign exchange contracts of $89.4 million.

(3) During 2008, we recorded income of $58.3 million related to a gain on litigation recovery from Rainbow DBS and a loss of $19.5 million related to the award of attorneys fees and expenses to the plaintiffs for shareholder litigation concluded during 2008.

Table of Contents

(4) During the fourth quarter of 2010, we determined, based on all available evidence, that a full valuation allowance was no longer required on our deferred tax assets and, therefore, $335.3 million of the valuation allowance was reversed as an income tax benefit (see Note 9 to the Loral consolidated financial statements).

(5) Beginning October 31, 2007, our principal affiliate is Telesat. Loral also has investments in XTAR and joint ventures providing Globalstar service, which are accounted for under the equity method. On December 21, 2007 Loral agreed to sell its interest in Globalstar do Brasil S.A. which resulted in Loral recording a charge of $11.3 million in 2007.

(6) As of December 23, 2008, in accordance with a court ordered restated certificate of incorporation, the previously issued Loral Series-1 Preferred stock was cancelled. As the fair value of Loral s common stock from January 1 to December 23, 2008 was less than the conversion price ($30.1504), we did not record any beneficial conversion feature during 2008 (see Note 10 to the Loral consolidated financial statements).

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis should be read in conjunction with our consolidated financial statements (the financial statements) included in Item 15 of this Annual Report on Form 10-K.

Loral Space & Communications Inc., a Delaware corporation, together with its subsidiaries is a leading satellite communications company engaged in satellite manufacturing with ownership interests in satellite-based communications services.

On October 31, 2007, Loral and its Canadian Partner, Public Sector Pension Investment Board (PSP), through Telesat Holdings, Inc. (Telesat Holdco), a newly-formed joint venture, completed the acquisition of Telesat Canada (Telesat) from BCE Inc. (BCE). In connection with this acquisition, Loral transferred on that same date substantially all of the assets and related liabilities of Loral Skynet Corporation (Loral Skynet) to Telesat. Loral holds a 64% economic interest and $33^{1}/_{3}$% voting interest in Telesat Holdco. Loral accounts for this investment using the equity method of accounting.

We refer to the acquisition of Telesat and the related transfer of Loral Skynet to Telesat as the Telesat transaction.

Disclosure Regarding Forward-Looking Statements

Except for the historical information contained in the following discussion and analysis, the matters discussed below are not historical facts, but are forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. In addition, we or our representatives have made and may continue to make forward-looking statements, orally or in writing, in other contexts. These forward-looking statements can be identified by the use of words such as believes, expects, plans, may, will, would, could, should, anticipates, estimates, outlook or other variations of these words. These statements, including without limitation those relating to Telesat, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict or quantify. Actual events or results may differ materially as a result of a wide variety of factors and conditions, many of which are beyond our control. For a detailed discussion of these and other factors and conditions, please refer to the Commitments and Contingencies section below and to our other periodic reports filed with the Securities and Exchange Commission (SEC). We operate in an industry sector in which the value of securities may be volatile and may be influenced by economic and other factors beyond our control. We undertake no obligation to update any forward-looking statements.

Overview

Businesses

Loral has two segments, satellite manufacturing and satellite services. Loral participates in satellite services operations principally through its ownership interest in Telesat.

Table of Contents

Satellite Manufacturing

Space Systems/Loral, Inc. (SS/L) is a designer, manufacturer and integrator of powerful satellites and satellite systems for commercial and government customers worldwide. SS/L s design, engineering and manufacturing capabilities have allowed it to develop a large portfolio of highly engineered, mission-critical satellites and secure a strong industry presence. This position provides SS/L with the ability to produce satellites that meet a broad range of customer requirements for broadband internet service to the home, mobile video and internet service, broadcast feeds for television and radio distribution, phone service, civil and defense communications, direct-to-home television broadcast, satellite radio, telecommunications backhaul and trunking, weather and environment monitoring and air traffic control. In addition, SS/L has applied its design and manufacturing expertise to produce spacecraft subsystems, such as batteries for the International Space Station, and to integrate government and other add-on missions on commercial satellites, which are referred to as hosted payloads.

As of December 31, 2010, SS/L had $1.6 billion in backlog for 20 satellites for customers including Intelsat Global S.A., SES S.A., Telesat Holdings Inc., Hispasat, S.A., EchoStar Corporation, Sirius-XM Satellite Radio, TerreStar Corporation, Asia Satellite Telecommunications Co. Ltd., Hughes Network Systems, LLC, ViaSat, Inc., Eutelsat/ictQatar, DIRECTV, Satélites Mexicanos, S.A. de C.V. and Asia Broadcast Satellite.

Satellite demand is driven by fleet replacement cycles, increased video, internet and data bandwidth demand and new satellite applications. SS/L expects its future success to derive from maintaining and expanding its share of the satellite construction contracts of its existing customers based on its engineering, technical and manufacturing leadership; its value proposition and record of reliability; the increased demand for new applications requiring high power and capacity satellites such as HDTV, 3-D TV and broadband; and SS/L s expansion of governmental contracts based on its record of reliability and experience with fixed-price contract manufacturing. We also expect SS/L to benefit from the increased revenues from larger and more complex satellites. As such, increased revenues as well as system and supply chain management improvements should enable SS/L to continue to improve its profitability.

The costs of satellite manufacturing include costs for material, subcontracts, direct labor and manufacturing overhead. Due to the long lead times required for certain of our purchased parts, and the desire to obtain volume-related price concessions, SS/L has entered into various purchase commitments with suppliers in advance of receipt of a satellite order. SS/L s costs for material and subcontracts have been relatively stable and are generally provided by suppliers with which SS/L has a long-established history. The number of available suppliers and the cost of qualifying the component for use in a space environment to SS/L s unique requirements limit the flexibility and advantages inherent in multiple sourcing options.

Satellite manufacturers have high fixed costs relating primarily to labor and overhead. Based on its current cost structure, we estimate that SS/L covers its fixed costs, including depreciation and amortization, with an average of four to five satellite awards a year depending on the size, power, pricing and complexity of the satellite. Cash flow in the satellite manufacturing business tends to be uneven. It takes two to three years to complete a satellite project and numerous assumptions are built into the estimated costs. SS/L s cash receipts are tied to the achievement of contract milestones that depend in part on the ability of its subcontractors to deliver on time. In addition, the timing of satellite awards is difficult to predict, contributing to the unevenness of revenue and making it more challenging to align the workforce to the workflow.

While its requirement for ongoing capital investment to maintain its current capacity is relatively low, SS/L is initiating a two-year infrastructure campaign that will result in capital expenditures over this period of approximately $135 million. Also, over the past several years SS/L has modified and expanded its manufacturing facilities to accommodate an expanded backlog. SS/L can now accommodate as many as nine to 13 satellite awards per year, depending on the complexity and timing of the specific satellites, and can accommodate the integration and test of 13 to 14 satellites at any given time in its Palo Alto facility. The expansion has also reduced the company s reliance on outside suppliers for certain RF components and sub-assemblies.

Table of Contents

The satellite manufacturing industry is a knowledge-intensive business, the success of which relies heavily on its technological heritage and the skills of its workforce. The breadth and depth of talent and experience resident in SS/L s workforce of approximately 2,700 personnel is one of our key competitive resources.

Satellites are extraordinarily complex devices designed to operate in the very hostile environment of space. This complexity may lead to unanticipated costs during the design, manufacture and testing of a satellite. SS/L establishes provisions for costs based on historical experience and program complexity to cover anticipated costs. As most of SS/L s contracts are fixed price, cost increases in excess of these provisions reduce profitability and may result in losses to SS/L, which may be material. Because the satellite manufacturing industry is highly competitive, buyers have the advantage over suppliers in negotiating prices, and terms and conditions resulting in reduced margins and increased assumptions of risk by manufacturers such as SS/L.

Satellite Services

Loral holds a 64% economic interest and a 33 $^{1}/_{3}$% voting interest in Telesat, the world s fourth largest satellite operator with approximately $5.5 billion of backlog as of December 31, 2010.

The satellite services business is capital intensive and the build-out of a satellite fleet requires substantial time and investment. Once the investment in a satellite is made, the incremental costs to maintain and operate the satellite is relatively low over the life of the satellite with the exception of in-orbit insurance. Telesat has been able to generate a large contracted revenue backlog by entering into long-term contracts with some of its customers for all or substantially all of a satellite s life. Historically, this has resulted in revenue from the satellite services business being fairly predictable.

Competition in the satellite services market has been intense in recent years due to a number of factors, including transponder over-capacity in certain geographic regions and increased competition from terrestrial-based communications networks.

At December 31, 2010, Telesat had 12 in-orbit satellites. Telesat currently has three satellites under construction, all by SS/L.

Telesat is committed to continuing to provide the strong customer service and focus on innovation and technical expertise that has allowed it to successfully build its business to date. Building on backlog and significant contracted growth, Telesat s focus is on taking disciplined steps to grow the core business and sell newly launched and existing in-orbit satellite capacity, and, in a disciplined manner, use the cash flow generated by existing business, contracted expansion satellites and cost savings to strengthen the business.

Telesat believes its existing satellite fleet supports a strong combination of existing backlog and revenue growth. The growth is expected to come from the Telstar 14R/Estrela do Sul satellite, which Telesat expects to be launched in mid-2011, the Nimiq 6 satellite, which is anticipated to be launched in the first half of 2012, the Anik G1 satellite, which Telesat anticipates will be launched in the second half of 2012 and the sale of available capacity on its existing satellites. Telesat believes this fleet of satellites provides a solid foundation upon which it will seek to grow its revenues and cash flows.

Revenue growth is also expected from the Canadian broadband business on the ViaSat-1 satellite, which Telesat has agreed to purchase from Loral. The purchase is expected to be completed in March 2011.

Telesat believes that it is well-positioned to serve its customers and the markets in which it participates. Telesat actively pursues opportunities to develop new satellites, particularly in conjunction with current or prospective customers, who will commit to a substantial amount of capacity at the time the satellite construction contract is signed. Although Telesat regularly pursues opportunities to develop new satellites, it does not procure additional or replacement satellites unless it believes there is a demonstrated need and a sound business plan for such capacity.

Telesat anticipates that it will be able to increase revenue without a proportional increase in operating expenses, allowing for profit margin expansion. The fixed cost nature of the business, combined with contracted revenue growth and other growth opportunities, is expected to produce growth in operating income and operating cash flow.

Table of Contents

For 2011, Telesat remains focused on increasing utilization of its existing satellites, constructing and launching the satellites it is currently procuring, securing additional customer requirements to support the procurement of additional satellites and maintaining cost and operating discipline.

Telesat s operating results are subject to fluctuations as a result of exchange rate variations. Approximately 45% of Telesat s revenues received in Canada for the year ended December 31, 2010, certain of its expenses and a substantial portion of its indebtedness and capital expenditures were denominated in U.S. dollars. The most significant impact of variations in the exchange rate is on the U.S. dollar denominated debt financing. A five percent change in the value of the Canadian dollar against the U.S. dollar at December 31, 2010 would have increased or decreased Telesat s net income for the year ended December 31, 2010 by approximately $151 million. During the period from October 31, 2007 to December 31, 2010, Telesat s U.S. term loan facility, senior notes and senior subordinated notes have increased by approximately $133 million due to the stronger U.S. dollar. During that same time period, however, the liability created by the fair value of the currency basis swap, which synthetically converts $1.054 billion of the U.S. term loan facility debt into CAD 1.224 billion of debt, decreased by approximately $129 million.

General

Telesat s board of directors and shareholders have authorized a process to explore an initial public offering or other strategic alternatives. To minimize the tax impact to the Company, thereby maximizing the benefits to Loral shareholders of any strategic transaction that takes the form of a sale, Loral will endeavor to structure the sale in the form of a transaction for the Parent Company. To accommodate such a structure, Loral would first separate SS/L and its other remaining non-Telesat assets. Accordingly, in the event of any such transaction, Loral would, prior to the transaction, likely contribute its remaining non-Telesat assets to SS/L and then spin-off or sell its interest in SS/L (or its remaining interest if there has first been an SS/L initial public offering).

SS/L Holdings, Inc. is a newly-formed subsidiary of Loral established for the purpose of facilitating an initial public offering or spin-off of SS/L. SS/L Holdings, Inc. previously filed a registration statement with the SEC for an initial public offering. The determination of how Loral will proceed with respect to SS/L, i.e. whether to proceed with an initial public offering, spin-off, combination of an initial public offering and subsequent spin-off, sale or other strategic transaction or no transaction at all, will depend on a number of factors, including the outcome of the Telesat process described above and business and market conditions. There can be no assurance whether or when any transaction involving any or all of Loral, Telesat or SS/L may occur.

We regularly explore and evaluate possible other strategic transactions and alliances. We also periodically engage in discussions with satellite service providers, satellite manufacturers and others regarding such matters, which may include joint ventures and strategic relationships as well as business combinations or the acquisition or disposition of assets. In order to pursue certain of these opportunities, we will require additional funds. There can be no assurance that we will enter into additional strategic transactions or alliances, nor do we know if we will be able to obtain the necessary financing for these transactions on favorable terms, if at all.

In 2008, Loral agreed to purchase the Canadian coverage portion of the ViaSat-1 satellite that is currently being constructed by SS/L. The ViaSat-1 satellite is a high capacity Ka-band spot beam satellite for broadband services that is scheduled to be launched in mid-2011 into the 115º West longitude orbital location. Loral also entered into an agreement with Barrett Xplore Inc. (Barrett), Canada s largest rural broadband provider, to deliver high throughput satellite Ka-band capacity for broadband services in Canada. Under the agreement, Barrett agreed to lease from Loral the Canadian capacity on the ViaSat-1 satellite and associated gateway services for the expected life of the satellite, projected to commence in 2011 and Loral agreed to construct and operate four gateways in Canada. Approximately $50 million has been invested by Loral through December 31, 2010. A portion of these costs was funded by prepayments in 2010 from Barrett of CAD 2.5 million as required under the agreement. On March 1, 2011, Loral entered into agreements to sell its investment in the Canadian broadband business, including the Canadian coverage portion of the ViaSat-1 satellite, to Telesat for $13 million plus reimbursement of approximately $48 million, representing Loral s net costs incurred through the closing date. In addition, if Telesat obtains certain supplemental capacity on the payload, Loral will be entitled to receive, for four years, one-half of any net revenue actually earned by Telesat on such supplemental capacity. This transaction is expected to close in March 2011 (see Note 16 to the financial statements).

Table of Contents

In connection with the Telesat transaction, Loral has agreed that, subject to certain exceptions described in Telesat s shareholders agreement, for so long as Loral has an interest in Telesat, it will not compete in the business of leasing, selling or otherwise furnishing fixed satellite service, broadcast satellite service or audio and video broadcast direct to home service using transponder capacity in the C-band, Ku-band and Ka-band (including in each case extended band) frequencies and the business of providing end-to-end data solutions on networks comprised of earth terminals, space segment, and, where appropriate, networking hubs.

Consolidated Operating Results

Please refer to Critical Accounting Matters set forth below in this section.

The following discussion of revenues and Adjusted EBITDA (see Note 15 to the financial statements) reflects the results of our business segments for 2010, 2009 and 2008. The balance of the discussion relates to our consolidated results unless otherwise noted.

The common definition of EBITDA is Earnings Before Interest, Taxes, Depreciation and Amortization. In evaluating financial performance, we use revenues and operating income (loss) before depreciation, amortization and stock-based compensation (excluding stock-based compensation from SS/L phantom stock appreciation rights expected to be settled in cash) and directors indemnification expense (Adjusted EBITDA) as the measure of a segment s profit or loss. Adjusted EBITDA is equivalent to the common definition of EBITDA before: asset impairment charges; gains or losses on litigation not related to our operations; other expense; and equity in net income (losses) of affiliates.

Adjusted EBITDA allows us and investors to compare our operating results with that of competitors exclusive of depreciation and amortization, interest and investment income, interest expense, asset impairment charges, gains or losses on litigation not related to our operations, other expense and equity in net income (losses) of affiliates. Financial results of competitors in our industry have significant variations that can result from timing of capital expenditures, the amount of intangible assets recorded, the differences in assets lives, the timing and amount of investments, the effects of other income (expense), which are typically for non-recurring transactions not related to the on-going business, and effects of investments not directly managed. The use of Adjusted EBITDA allows us and investors to compare operating results exclusive of these items. Competitors in our industry have significantly different capital structures. The use of Adjusted EBITDA maintains comparability of performance by excluding interest expense.

We believe the use of Adjusted EBITDA along with U.S. GAAP financial measures enhances the understanding of our operating results and is useful to us and investors in comparing performance with competitors, estimating enterprise value and making investment decisions. Adjusted EBITDA as used here may not be comparable to similarly titled measures reported by competitors. We also use Adjusted EBITDA to evaluate operating performance of our segments, to allocate resources and capital to such segments, to measure performance for incentive compensation programs and to evaluate future growth opportunities. Adjusted EBITDA should be used in conjunction with U.S. GAAP financial measures and is not presented as an alternative to cash flow from operations as a measure of our liquidity or as an alternative to net income as an indicator of our operating performance.

Loral has two segments: Satellite Manufacturing and Satellite Services. Our segment reporting data includes unconsolidated affiliates that meet the reportable segment criteria. The Satellite Services segment includes 100% of the results reported by Telesat for the years ended December 31, 2010, 2009 and 2008. Although we analyze Telesat s revenue and expenses under the Satellite Services segment, we eliminate its results in our consolidated financial statements, where we report our 64% share of Telesat s results under the equity method of accounting.

Table of Contents

The following reconciles Revenues and Adjusted EBITDA on a segment basis to the information as reported in our financial statements (in millions):

Revenues:

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Satellite Manufacturing	$ 1,165.1	$ 1,008.7	$ 881.4
Satellite Services	797.3	691.6	685.2
Segment revenues	1,962.4	1,700.3	1,566.6
Eliminations[(1)]	(6.1)	(15.3)	(12.0)
Affiliate eliminations[(2)]	(797.3)	(691.6)	(685.2)
Revenues as reported[(3)]	$ 1,159.0	$ 993.4	$ 869.4

See explanations below for Notes 1, 2 and 3.

Increases in revenues from period to period are influenced by the size, timing and number of satellite contracts awarded in the current and preceding years and the length of the construction period for satellite contracts awarded. Revenues are recognized on the cost-to-cost percentage of completion method over the construction period, which usually ranges between 24 and 36 months. Large satellites with significant new development can require up to 48 months for completion.

Revenues from Satellite Manufacturing before eliminations increased $156 million for 2010 as compared to 2009, due to $112 million of higher revenues generated by increased satellite contract awards, improved factory performance (which reduces the estimated cost to complete and increases the percentage of completion and the revenue recognized) of $59 million and a $5 million increase in performance incentives earned, net of penalties, partially offset by a revenue decrease of $20 million from prior year contract scope additions, which generated higher revenues in 2009.

Eliminations for 2010 and 2009 consist primarily of revenue applicable to Loral s interest in a portion of the payload of the ViaSat-1 satellite which is being constructed by SS/L (see Note 16 to the financial statements).

Satellite Services segment revenue increased by $106 million for 2010 as compared to 2009 primarily due to the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenues, settlements from two terminated contracts, an increase in equipment sales due to the completion of a significant project, growth in Telstar 18 service, the full year effect of Nimiq 5 and increased revenue from Telstar 11N, partially offset by the termination of leasehold interests in Telstar 10, the removal of Nimiq 3 from service and decreased revenue from services provided to the automotive industry. Satellite Services segment revenues would have increased by approximately $63 million for 2010 as compared with 2009 if the U.S. dollar/Canadian dollar exchange rate had been unchanged between the two periods.

Satellite Manufacturing segment revenue increased $127 million for 2009 compared to 2008, primarily as a result of an increase in the number, size and complexity of satellites ordered. Revenue in 2009 was primarily driven by $3.22 billion of orders placed for 18 satellites in 2007, 2008 and 2009. Revenue in 2008 was primarily driven by $2.96 billion of orders placed for 17 satellites in 2006, 2007 and 2008.

Satellite Services segment revenue increased by $6 million in 2009 from 2008 primarily due to the launches of Nimiq 4 which began service in late 2008, Telstar 11N which began service in early 2009 and Nimiq 5 which began service in late 2009, substantially offset by the U.S. dollar/Canadian dollar exchange rate changes on Canadian dollar denominated revenues, the cancellation of Telesat s lease on Telstar 10 in July 2009, the removal from service of Nimiq 4iR and Nimiq 3 in the first half of 2009 and the scheduled turndown of certain transponders on Nimiq 2. Satellite Services segment revenue would have increased by approximately $54 million for the year ended December 31, 2009 as compared with the year ended December 31, 2008 if the U.S. dollar/Canadian dollar exchange rate had remained unchanged between the two periods.

Table of Contents

Adjusted EBITDA:

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Satellite Manufacturing	$ 143.1	$ 90.6	$ 45.1
Satellite Services	606.7	488.1	436.5
Corporate expenses	(17.9)	(21.4)	(14.9)
Segment Adjusted EBITDA before eliminations	731.9	557.3	466.7
Eliminations[1]	(1.5)	(1.7)	(1.6)
Affiliate eliminations[2]	(606.7)	(488.1)	(427.2)
Adjusted EBITDA	$ 123.7	$ 67.5	$ 37.9

See explanations below for Notes 1 and 2.

Satellite Manufacturing segment Adjusted EBITDA increased $53 million for 2010 compared with 2009. The increase consists of $55 million from improved factory performance, $35 million from the increased sales volume, $9 million from performance incentives earned, net of penalties and a $4 million decrease in selling, general and administrative expenses (other than depreciation and amortization), partially offset by a decrease of $20 million from prior year contract scope additions, a $27 million loss resulting from a contract award in the third quarter of 2010 and a $3 million increase in stock-based compensation from SS/L phantom stock appreciation rights that are expected to be paid in cash.

Satellite Services segment Adjusted EBITDA increased by $119 million for 2010 as compared to 2009 primarily due to the revenue increase described above, expense reductions as a result of efficiencies gained from restructuring, reductions in third party satellite capacity, elimination of expenses associated with decreased revenue from services provided to the automotive industry and restructuring charges of $3 million in 2009, partially offset by the impact of the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated expenses. Satellite Services segment Adjusted EBITDA would have increased by approximately $87 million for 2010 as compared with 2009 if the U.S. dollar/Canadian dollar exchange rate had been unchanged between the two periods.

Corporate expenses decreased for 2010 compared to 2009 primarily due to a $4 million reduction in deferred compensation expense because the maximum award under the deferred compensation plan was reached in 2009, and a $2 million decrease in legal fees, partially offset by a $2 million increase in stock-based compensation from SS/L phantom stock appreciation rights that are expected to be paid in cash.

Satellite Manufacturing segment Adjusted EBITDA increased $46 million for the year ended December 31, 2009 compared with the year ended December 31, 2008 primarily due to an improvement in margins of $46 million resulting primarily from scope increases and improved performance on certain satellite construction contracts and higher sales volume, a reduction in research and development expense of $12 million as a result of completion of a significant project that was being performed in 2008, a decrease of $4 million in losses on foreign exchange forward contracts and a $3 million reduction in new business acquisition costs, partially offset by a $12 million increase in pension costs, a $2 million increase in deferred compensation expense and a $2 million increase in the allowance for billed receivables.

Satellite Services segment Adjusted EBITDA increased by $52 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008 primarily due to the revenue increase described above, expense reductions in 2009 and the impact of U.S. dollar/Canadian dollar exchange rate changes on Canadian dollar denominated expenses, partially offset by a $9 million gain on recovery from a customer bankruptcy recorded in 2008. Satellite Services segment Adjusted EBITDA would have increased by approximately $85 million for the year ended December 31, 2009 as compared with the year ended December 31, 2008 if the U.S. dollar / Canadian dollar exchange

rate had been unchanged between the two periods.

Table of Contents

Corporate expenses increased by $6 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008, primarily due to a $7 million increase in charges accrued for deferred compensation arrangements entered into in 2005 resulting from an increase in the fair value of our common stock and a $2 million increase in pension and other benefits costs, partially offset by a $3 million decrease in litigation and other professional services expenses.

Reconciliation of Adjusted EBITDA to Net Income (Loss):

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Adjusted EBITDA	$ 123.7	$ 67.5	$ 37.9
Depreciation, amortization and stock-based compensation[4]	(36.3)	(47.3)	(44.0)
Directors indemnification expense[5]	(6.8)		
Impairment of goodwill[6]			(187.9)
Operating income (loss)	80.6	20.2	(194.0)
Interest and investment income	13.5	8.3	11.9
Interest expense	(3.1)	(1.4)	(2.3)
Gain on litigation, net	5.0		38.8
Impairment of available for sale securities			(5.8)
Other expense	(2.9)	(0.1)	(0.1)
Income tax benefit (provision) [7]	308.6	(5.6)	(45.7)
Equity in net income (losses) of affiliates	85.6	210.3	(495.7)
Net income (loss)	$ 487.3	$ 231.7	$ (692.9)

(1) Represents the elimination of intercompany sales and intercompany Adjusted EBITDA, primarily for satellites under construction by SS/L for Loral and its wholly owned subsidiaries.

(2) Represents the elimination of amounts attributed to Telesat whose results are reported in our consolidated statements of operations as equity in net income (losses) of affiliates.

(3) Includes revenues from affiliates of $137.2 million, $92.1 million and $84.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

(4) Includes non-cash stock-based compensation of $2.5 million, $7.5 million and $7.6 million for the years ended December 31, 2010, 2009 and 2008, respectively (see Note 10 to the financial statements).

(5) Represents indemnification expense, net of insurance recovery, in connection with defense costs incurred by MHR-affiliated directors in the Delaware shareholder derivative case (see Note 14 to the financial statements).

(6) During the fourth quarter of 2008, we determined that the implied fair value of SS/L goodwill had dropped below its carrying value, and we recorded this impairment charge.

(7) During the fourth quarter of 2010, we determined, based on all available evidence, that a full valuation allowance was no longer required on our deferred tax assets and, therefore, $335.3 million of the valuation allowance was reversed as an income tax benefit (see Note 9 to the financial statements).

44

Table of Contents

2010 Compared with 2009 and 2009 Compared with 2008

The following compares our consolidated results for 2010, 2009 and 2008 as presented in our financial statements:

Revenue from Satellite Manufacturing

	Year Ended December 31,			% Increase (Decrease)	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
	(In millions)				
Revenue from Satellite Manufacturing	$ 1,165	$ 1,008	$ 881	16%	14%
Eliminations	(6)	(15)	(12)	(60%)	25%
Revenue from Satellite Manufacturing as reported	$ 1,159	$ 993	$ 869	17%	14%

Revenues from Satellite Manufacturing before eliminations increased for 2010 as compared to 2009 due to $112 million of higher revenues generated by increased satellite contract awards, improved factory performance (which reduces the estimated cost to complete and increases the percentage of completion and the revenue recognized) of $59 million and a $5 million increase in performance incentives earned, net of penalties, partially offset by a revenue decrease of $20 million from prior year contract scope additions, which generated higher revenues in 2009. Eliminations for 2010 and 2009 consist primarily of revenue applicable to Loral s interest in a portion of the payload of the ViaSat-1 satellite which is being constructed by SS/L (see Note 16 to the financial statements). As a result, revenues from Satellite Manufacturing as reported increased $166 million for 2010 as compared to 2009.

Revenue from Satellite Manufacturing before eliminations increased $127 million for 2009 compared to 2008, primarily as a result of an increase in the number, size and complexity of satellites ordered. Revenue in 2009 was primarily driven by $3.22 billion of orders placed for 18 satellites in 2007, 2008 and 2009. Revenue in 2008 was primarily driven by $2.96 billion of orders placed for 17 satellites in 2006, 2007 and 2008. Eliminations for 2009 and 2008 consist primarily of revenue applicable to Loral s interest in a portion of the payload of the ViaSat-1 satellite which is being constructed by SS/L (see Note 16 to the financial statements). As a result, revenue from Satellite Manufacturing as reported increased $124 million for 2009 as compared to 2008.

Cost of Satellite Manufacturing

	Year Ended December 31,			% Increase (Decrease)	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
	(In millions)				
Cost of Satellite Manufacturing	$ 987	$ 880	$ 788	12%	12%
Cost of Satellite Manufacturing as a % of Satellite Manufacturing revenues	85%	89%	91%		

Cost of Satellite Manufacturing increased by $107 million for 2010 as compared to 2009 as a result of a $92 million increase from the higher sales volume and the $27 million loss from a contract award in the third quarter of 2010, partially offset by a $7 million decrease in amortization and a $2 million decrease in stock-based compensation.

45

Table of Contents

Cost of Satellite Manufacturing increased $92 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Margins improved by $43 million primarily from scope increases, improved performance on certain satellite construction contracts and higher sales volume, partially offsetting $114 million of increased costs from higher sales volume and a $12 million increase in pension costs. Depreciation, amortization and stock-based compensation increased by $5 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008 primarily due to increases of $2 million in stock-based compensation, $2 million in amortization of fair value adjustments and $1 million in depreciation.

Selling, General and Administrative Expenses

	Year Ended December 31,			% Increase (Decrease)	
	2010	2009	2008	2010 vs. 2009	2009 vs. 2008
		(In millions)			
Selling, general and administrative expenses	85	93	97	(9%)	(4%)
% of revenues	7%	9%	11%		

Selling, general and administrative expenses decreased by $8 million for 2010 as compared to 2009, primarily due to a $5 million reduction in deferred compensation expense because the maximum award under the deferred compensation plan was reached in 2009, a $3 million decrease in research and development expenses, a $3 million increase in the allowance for billed receivables in the third quarter of 2009 and a $2 million decrease in legal fees, partially offset by a $4 million increase in new business acquisition expenses and a $3 million increase in stock-based compensation.

Selling, general and administrative expenses were $93 million and $97 million for the years ended December 31, 2009 and 2008, respectively. Selling, general and administrative expenses decreased by $4 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008 due primarily to a reduction in research and development expenses of $12 million, a decrease of $3 million in new business acquisition costs, a $2 million decrease in litigation costs and a $1 million decrease in professional services expenses, partially offset by a $9 million increase in deferred compensation expense, a $2 million increase in pension and other benefits costs and a $2 million increase in the allowance for billed receivables. The deferred compensation expense increase in 2009 was due to an increase in the fair value of our common stock during 2009.

Gain on Recovery from Customer Bankruptcy

During 2008, we recorded a gain of $9 million related to distributions from a bankruptcy claim against a former customer of Loral Skynet. The receivables underlying the claim had been previously written-off or not recognized due to the customer s bankruptcy.

Directors Indemnification Expense

Directors indemnification expense for the year ended December 31, 2010 represents our indemnification of legal expenses incurred by MHR-affiliated directors in defense of claims asserted against them in their capacity as directors of Loral, net of directors and officers insurance recoveries (see Note 14 to the financial statements).

Impairment of Goodwill

During 2008, we determined that the implied fair value of SS/L goodwill, which was established in connection with our adoption of fresh-start accounting, had decreased below its carrying value. We recorded a charge to expense in the fourth quarter of 2008 of $187.9 million to reflect this impairment.

Table of Contents

Interest and Investment Income

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Interest and investment income	$ 14	$ 8	$ 12

Interest and investment income increased by $6 million for 2010 as compared to 2009, primarily due to increased interest income on long-term orbital receivables as a result of satellite launches.

Interest and investment income decreased $4 million for the year ended December 31, 2009 as compared to the year ended December 31, 2008. This decrease includes $5 million due primarily to reduced returns on investments. In addition, average investment balances declined by $40 million in 2009 to $120 million. Other interest income increased by $1 million as a result of a $2 million increase in interest and investment income from non-qualified pension plan assets and increased interest income of $1 million from orbital incentives due to additional satellite launches, partially offset by a $2 million decrease from accelerated amortization of fair value adjustments resulting from the early payment of orbital incentives in 2008.

Interest Expense

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Interest cost before capitalized interest	$ 3	$ 1	$ 3
Capitalized interest			(1)
Interest expense	$ 3	$ 1	$ 2

Interest expense for 2010 and 2009 consists primarily of fees and amortization of issuance costs related to the SS/L credit agreement and the interest related to the ChinaSat transponders. Interest expense for 2009 includes a $1 million reversal of interest expense previously recorded due to the favorable resolution of a contingent liability.

Interest expense for the year ended December 31, 2008 related primarily to interest on vendor financing which was no longer outstanding in 2009 and 2010.

Gain on Litigation, Net

During 2010, we recorded income of $5.0 million from directors and officers insurance recoveries related to plaintiffs fees for shareholders litigation arising from the issuance of our Series-1 Preferred Stock which was concluded during 2008 (see Note 14 to the financial statements).

During 2008, we recorded income of $58 million related to a gain on litigation recovery from Rainbow DBS and expense of $19.5 million related to the award of attorneys fees and expenses to the plaintiffs for shareholder litigation arising from the issuance of our Series-1 Preferred Stock which was concluded during 2008 (see Note 14 to the financial statements).

Impairment of Available for Sale Securities

During 2008, we recorded impairment charges of $5.8 million to reflect other-than-temporary declines in the value of our investment in Globalstar Inc. common stock (see Note 6 to the financial statements).

Other Expense

Other expense for the year ended December 31, 2010, includes expenses related to the evaluation of strategic alternatives for SS/L and preparation and filing of registration statements and amendments related to a potential initial public offering of SS/L, partially offset by the reversal of a liability related to the sale of certain assets in a prior year.

47

Table of Contents

Income Tax Provision

During the fourth quarter of 2010, we determined, based on all available evidence, that it was more likely than not that we would realize the benefit from a significant portion of our deferred tax assets in the future, and therefore, a full valuation allowance was no longer required. We based this determination on cumulative profits generated in recent periods, as well as our current expectation that future operations will generate sufficient taxable income to realize the tax benefit from the deferred tax assets. Accordingly, we reversed $335.3 million of the valuation allowance as a deferred income tax benefit. For 2010, this benefit was partially offset by a current federal and state income tax provision of $16.6 million, which included a provision of $11.5 million to increase our liability for uncertain tax positions, and a deferred tax provision of $10.1 million for the decrease to our deferred tax asset for federal AMT credits, resulting in a net income tax benefit of $308.6 million on pre-tax income of $93.1 million. As of December 31, 2010, we continued to maintain a valuation allowance of $11.2 million against the deferred tax assets for capital loss carryovers and certain state tax attributes due to the limited carryforward periods and the character of such attributes. We will continue to maintain the valuation allowance until sufficient positive evidence exists to support its full or partial reversal.

During 2009 and 2008, we continued to maintain a 100% valuation allowance against our net deferred tax assets, with the exception of the deferred tax asset related to AMT credit carryforwards. For periods prior to January 1, 2009, any reduction to the balance of the valuation allowance as of October 1, 2005 first reduced goodwill, then other intangible assets with any excess treated as an increase to paid-in-capital. During 2008, goodwill was reduced by $38.6 million, for the reversal of an excess valuation allowance. Effective January 1, 2009, all reversals of the valuation allowance balance as of October 1, 2005 were required to be recorded as a reduction to the income tax provision.

For 2009, we recorded a current tax provision of $5.8 million, which included a provision of $2.3 million to increase our liability for uncertain tax positions, and a deferred tax benefit of $0.2 million, resulting in a total provision of $5.6 million on pre-tax income of $27.0 million. For 2008, we recorded a current tax provision of $16.3 million, which included a provision of $41.6 million to increase our liability for uncertain tax positions and a current tax benefit of $25.4 million derived from tax strategies, and a deferred tax provision of $29.4 million, resulting in a total provision of $45.7 million on a pre-tax loss of $151.5 million.

The deferred income tax provision for 2008 of $29.4 million related primarily to (i) a provision of $38.6 million recorded as a result of having utilized deferred tax benefits from Old Loral and tax strategies to reduce our tax liability (where the excess valuation allowance was recorded as a reduction to goodwill) offset by (ii) a benefit of $9.2 million for the increase to our deferred tax asset for federal and state AMT credits.

See Critical Accounting Matters *Taxation* below for discussion of our accounting method for income taxes.

Equity in Net Income (Losses) of Affiliates

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Telesat	$ 92.8	$ 213.2	$ (479.6)
XTAR	(7.0)	(2.7)	(16.1)
Other	(0.2)	(0.2)	
	$ 85.6	$ 210.3	$ (495.7)

Loral s equity in net income (loss) of Telesat is based on our proportionate share of Telesat s results in accordance with U.S. GAAP and in U.S. dollars. The amortization of fair value adjustments applicable to the Loral Skynet assets and liabilities acquired by Telesat in 2007 have been proportionately eliminated in determining our share of the net income (loss) of Telesat. Our equity in net income (loss) of Telesat also reflects the elimination of our profit, to the extent of our beneficial interest, on satellites we are constructing for Telesat.

48

Table of Contents

Summary financial information for Telesat in accordance with U.S. GAAP and in Canadian dollars (CAD) and U.S. dollars ($) for the years ended December 31, 2010 and 2009 and 2008 and as of December 31, 2010 and 2009 follows (in millions):

	Year Ended December 31			Year Ended December 31		
	2010	2009	2008	2010	2009	2008
	(In Canadian dollars)			(In U.S. dollars)		
Statement of Operations Data:						
Revenues	821.4	788.7	731.1	797.3	691.6	685.2
Operating expenses	(196.5)	(232.0)	(275.3)	(190.7)	(203.4)	(258.0)
Gain on disposition of long-lived assets	3.9	33.4		3.7	29.3	
Impairment of long-lived and intangible assets			(485.4)			(454.9)
Depreciation, amortization and stock-based compensation	(256.8)	(262.5)	(241.1)	(249.3)	(230.2)	(226.0)
Operating income (loss)	371.9	327.6	(270.7)	361.0	287.3	(253.7)
Interest expense	(241.6)	(260.0)	(246.5)	(234.5)	(228.0)	(231.1)
Foreign exchange gains (losses)	164.0	500.9	(698.0)	159.2	439.2	(654.2)
(Losses) gains on financial instruments	(79.2)	(169.9)	271.8	(76.9)	(149.0)	254.7
Other income (expense)	0.6	(0.9)	(3.9)	0.6	(0.7)	(3.6)
Income tax (provision) benefit	(42.4)	(2.5)	149.2	(41.2)	(2.2)	139.9
Net income (loss)	173.3	395.2	(798.1)	168.2	346.6	(748.0)
Average exchange rate for translating Canadian dollars to U.S. dollars				1.0302	1.1405	1.0670

	As of December 31,		As of December 31,	
	2010	2009	2010	2009
	(In Canadian dollars)		(In U.S. dollars)	
Balance Sheet Data:				
Current assets	290.8	251.4	291.4	238.7
Total assets	5,298.8	5,260.4	5,309.4	4,994.7
Current liabilities	293.9	206.3	294.5	195.9
Long-term debt, including current portion	2,923.0	3,110.4	2,928.9	2,953.3
Total liabilities	4,137.1	4,257.0	4,145.3	4,041.9
Redeemable preferred stock	141.4	141.4	141.7	134.3
Shareholders equity	1,020.4	862.0	1,022.4	818.5
Period end exchange rate for translating Canadian dollars to U.S. dollars			0.9980	1.0532

Gain on disposition of long-lived assets in 2009 results from the transfer of Telesat s leasehold interests in the Telstar 10 satellite and related contracts to APT Satellite for a total consideration of approximately $69 million. Impairment of long-lived and intangible assets consists primarily of an impairment charge in 2008 to reduce certain orbital slot assets to fair value.

Telesat s operating results are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in currencies other than Canadian dollars. Telesat s main currency exposures as of December 31, 2010, lie in its U.S. dollar denominated cash and cash equivalents, accounts receivable, accounts payable and debt financing. The most significant impact of variations in the exchange rate is on the U.S. dollar denominated debt

financing. We estimated that, after considering the impact of hedges, a five percent change in the value of the Canadian dollar against the U.S. dollar at December 31, 2010 would have increased or decreased Telesat s net income for the year 2010 by approximately $151 million. During the period from October 31, 2007 to December 31, 2010, Telesat s U.S. Term Loan Facility, Senior Notes and Senior Subordinated Notes have increased by approximately $133 million due to the stronger U.S. dollar. However during that same time period, the liability created by the fair value of the currency basis swap, which synthetically converts $1.054 billion of the U.S. Term Loan Facility debt into CAD 1.224 billion of debt, decreased by approximately $129 million.

The equity losses in XTAR, L.L.C. (XTAR), our 56% owned joint venture, represent our share of XTAR losses incurred in connection with its operations.

Table of Contents

Backlog

Backlog as of December 31, 2010 and 2009 was as follows (in millions):

	2010	2009
Satellite Manufacturing	$ 1,625	$ 1,632
Satellite Services	5,477	5,230
Total backlog before eliminations	7,102	6,862
Satellite Manufacturing eliminations	(4)	(9)
Satellite Services eliminations	(5,477)	(5,230)
Total backlog	$ 1,621	$ 1,623

It is expected that approximately 64% of satellite manufacturing backlog as of December 31, 2010 will be recognized as revenue during 2011.

It is expected that approximately 11% of satellite services backlog will be recognized as revenue during 2011.

As of December 31, 2010, Telesat had received approximately $378 million of customer prepayments, none of which is related to satellites under construction.

Critical Accounting Matters

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenues and expenses reported for the period. Actual results could differ from estimates.

Revenue Recognition

Most of our Satellite Manufacturing revenue is associated with long-term fixed-price contracts. Revenue and profit from satellite sales under these long-term contracts are recognized using the cost-to-cost percentage of completion method, which requires significant estimates. We use this method because reasonably dependable estimates can be made based on historical experience and various other assumptions that are believed to be reasonable under the circumstances. These estimates include forecasts of costs and schedules, estimating contract revenue related to contract performance (including estimated amounts for penalties and performance incentives that will be received as the satellite performs on orbit) and the potential for component obsolescence in connection with long-term procurements. Estimated amounts for performance incentives and penalties are included in contract value when and to the extent that it is probable such amounts will be paid or received. Performance incentives and penalties relate primarily to on-orbit performance of the satellite and early or late delivery of the satellite, although a limited number of contracts include performance incentives and penalties related to mass, payload performance and other items.

Satellite construction contracts often include provisions for performance incentives pursuant to which a portion of the contract value (typically about 10%) is at risk, over the life of the satellite (typically 15 years), contingent upon the in-orbit performance of the satellite in accordance with contractual specifications. These performance incentives are structured in two forms: (i) under warranty payback, the customer pays the entire amount of the performance incentives during the period of satellite construction and (ii) under orbital receivables, the customer makes payments of performance incentives at regular intervals (often monthly) over the in-orbit life of the satellite.

Table of Contents

Performance incentives, whether warranty payback or orbital receivables, are included in revenues during the construction period of the satellite. The amount of performance incentives recorded as revenues is net of (i) a factor based on past experience to reflect the risk that a portion of the performance incentives will be lost due to non-performance and (ii) in the case of orbital receivables, a discount for the time value of money because the amounts will be collected over the operating life of the satellite.

Estimates for performance incentives and penalties are assessed continually during the term of the contract and revisions are reflected when the conditions become known. Changes in estimates are typically the result of schedule changes that affect performance incentives and penalties, changes in contract scope, changes in new business forecasts that can affect the level of overhead allocated to a given contract and changes in estimates on contracts as a result of the complex nature of the satellites we manufacture. Provisions for losses on contracts are recorded when estimates determine that a loss will be incurred on a contract at completion. Under firm fixed-price contracts, work performed and products shipped are paid for at a fixed price without adjustment for actual costs incurred in connection with the contract; accordingly, favorable changes in estimates in a period will result in additional revenue and profit, and unfavorable changes in estimates will result in a reduction of revenue and profit or the recording of a loss that will be borne solely by us.

Billed Receivables and Long-Term Receivables

We are required to estimate the collectability of our long-term receivables and billed receivables which are included in contracts in process on our consolidated balance sheet. A considerable amount of judgment is required in assessing the collectability of these receivables, including the current creditworthiness of each customer and related aging of the past due balances. Charges for bad debts recorded to the statements of operations on billed receivables for the years ended December 31, 2010, 2009 and 2008, were nil, $2.8 million and $0.7 million, respectively. At December 31, 2010, 2009 and 2008, billed receivables were net of allowances for doubtful accounts of $0.2 million, $3.7 million and $0.9 million, respectively. We evaluate specific accounts when we become aware of a situation where a customer may not be able to meet its financial obligations due to a deterioration of its financial condition, credit ratings or bankruptcy. The reserve requirements are based on the best facts available to us and are re-evaluated periodically. Performance incentives, whether warranty payback or orbital receivables, are recorded as receivables on our balance sheet as we record the revenues on the satellite during the construction period, which is typically two to three years. Performance incentives structured as warranty payback are included in contracts in process, and orbital receivables, which are collected over the in-orbit life of the satellite, are included in long-term receivables.

Inventories

Inventories are reviewed for estimated obsolescence or unusable items and, if appropriate, are written down to the net realizable value based upon assumptions about future demand and market conditions. If actual future demand or market conditions are less favorable than those we project, additional inventory write-downs may be required. These are considered permanent adjustments to the cost basis of the inventory. Charges for inventory obsolescence included in the consolidated statements of operations were $4.3 million, $1.0 million and nil for the years ended December 31, 2010, 2009 and 2008, respectively.

Fair Value Measurements

U.S. GAAP defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. U.S. GAAP also establishes a fair value hierarchy that gives the highest priority to observable inputs and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below:

Level 1: Inputs represent a fair value that is derived from unadjusted quoted prices for identical assets or liabilities traded in active markets at the measurement date.

Level 2: Inputs represent a fair value that is derived from quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities, and pricing inputs, other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Inputs are generally unobservable and typically reflect management s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Table of Contents

These provisions are applicable to all of our assets and liabilities that are measured and recorded at fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents our assets and liabilities measured at fair value on a recurring basis at December 31, 2010:

	Level 1	Level 2	Level 3
		(In thousands)	
Assets			
Cash equivalents: Money market funds	$ 162,487	$	$
Available-for-sale securities: Communications industry	$ 1,427	$	$
Derivatives: Foreign exchange contracts	$	$ 4,548	$
Non-qualified pension plan assets	$ 2,039	$	$ 13
Liabilities			
Derivatives: Foreign exchange contracts	$	$ 15,007	$

The Company does not have any non-financial assets or non-financial liabilities that are recognized or disclosed at fair value on a recurring basis as of December 31, 2010.

Assets and Liabilities Measured at Fair Value on a Non-recurring Basis

We review the carrying values of our equity method investments when events and circumstances warrant and consider all available evidence in evaluating when declines in fair value are other than temporary. The fair values of our investments are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparables and discounted cash flow projections. An impairment charge would be recorded when the carrying amount of the investment exceeds its current fair value and is determined to be other than temporary. We had no equity-method investments measured at fair value at December 31, 2010.

Taxation

Loral is subject to U.S. federal, state and local income taxation on its worldwide income and foreign taxes on certain income from sources outside the United States. Our foreign subsidiaries are subject to taxation in local jurisdictions. Telesat is subject to tax in Canada and other jurisdictions and Loral will provide in operating earnings any additional U.S. current or deferred tax required on distributions received or deemed distributions from Telesat.

We use the liability method in accounting for taxes whereby income taxes are recognized during the year in which transactions are recorded in the financial statements. Deferred taxes reflect the future tax effect of temporary differences between the carrying amount of assets and liabilities for financial and income tax reporting and are measured by applying anticipated statutory tax rates in effect for the year during which the differences are expected to reverse. We assess the recoverability of our deferred tax assets and, based upon this analysis, record a valuation allowance against the deferred tax assets to the extent recoverability does not satisfy the more likely than not recognition criteria.

Table of Contents

The tax effects of an uncertain tax position (UTP) taken or expected to be taken in income tax returns are recognized only if it is more likely-than-not to be sustained on examination by the taxing authorities, based on its technical merits as of the reporting date. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. We recognize estimated accrued interest and penalties related to UTPs in income tax expense.

We recognize the benefit of a UTP in the period when it is effectively settled. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination. Evaluating the technical merits of a tax position and determining the benefit to be recognized involves a significant level of judgment in the assumptions underlying such evaluation.

Pension and other employee benefits

We maintain qualified pension and supplemental retirement plans. These plans are defined benefit pension plans. In addition to providing pension benefits, we provide certain health care and life insurance benefits for retired employees and dependents. These pension and other employee benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate and expected long-term rate of return on plan assets. Material changes in these pension and other employee postretirement benefit costs may occur in the future due to changes in these assumptions, as well as our actual experience.

The discount rate is subject to change each year, based on a hypothetical yield curve developed from a portfolio of high quality, corporate, non-callable bonds with maturities that match our projected benefit payment stream. The resulting discount rate reflects the matching of the plan liability cash flows to the yield curve. Changes in applicable high-quality long-term corporate bond indices are also considered. The discount rate determined on this basis was 5.5% as of December 31, 2010, a decrease of 50 basis points from December 31, 2009.

The expected long-term rate of return on pension plan assets is selected by taking into account the expected duration of the plan s projected benefit obligation, asset mix and the fact that its assets are actively managed to mitigate risk. Allowable investment types include equity investments and fixed income investments. Both investment types may include alternative investments which are permitted to be up to 15% of total plan assets. Pension plan assets are managed by Russell Investment Corp. (Russell), which allocates the assets into specified Russell-designed funds as we direct. Each specified Russell fund is then managed by investment managers chosen by Russell. We also engage non-Russell related investment managers through Russell, in its role as trustee, to invest pension plan assets. The targeted long-term allocation of our pension plan assets is 60% in equity investments and 40% in fixed income investments. The expected long-term rate of return on plan assets determined on this basis was 8.0% for 2010, 8.0% for 2009 and 8.5% for 2008. For 2011, we will use an expected long-term rate of return of 8.0%.

These pension and other employee postretirement benefit costs are expected to increase to approximately $19.6 million in 2011 from $17.7 million in 2010, primarily due to the lower discount rate. Lowering the discount rate and the expected long-term rate of return each by 0.5% would have increased these pension and other employee postretirement benefits costs by approximately $2.2 million and $1.3 million, respectively, in 2010.

The benefit obligations for pensions and other employee benefits exceeded the fair value of plan assets by $249.6 million at December 31, 2010. We are required to recognize the funded status of a benefit plan on our balance sheet. Market conditions and interest rates significantly affect future assets and liabilities of Loral s pension and other employee benefits plans.

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period. In addition, share-based payment transactions with nonemployees are measured at the fair value of the equity instrument issued. We use the Black-Scholes-Merton option-pricing model and other models as applicable to estimate the fair value of these stock-based awards. These models require us to make significant judgments regarding the assumptions used within the models, the most significant of which are the stock price volatility assumption, the expected life of the option award, the risk-free rate of return and dividends during the expected term. Changes in these assumptions could have a material impact on the amount of stock-based compensation we recognize.

53

Table of Contents

The Company estimates expected forfeitures of stock-based awards at the grant date and recognizes compensation cost only for those awards expected to vest. The forfeiture assumption is ultimately adjusted to the actual forfeiture rate. Therefore, changes in the forfeiture assumptions may impact the timing of the total amount of expense recognized over the vesting period. Estimated forfeitures are reassessed in each reporting period and may change based on new facts and circumstances. We emerged from bankruptcy on November 21, 2005, and as a result, we did not have sufficient stock price history upon which to base our volatility assumption for measuring our stock-based awards. In determining the volatility used in our models, we considered the volatility of the stock prices of selected companies in the satellite industry, the nature of those companies, our emergence from bankruptcy and other factors in determining our stock price volatility. We based our estimate of the average life of a stock-based award using the midpoint between the vesting and expiration dates. Our risk-free rate of return assumption for awards was based on term-matching, nominal, monthly U.S. Treasury constant maturity rates as of the date of grant. We assumed no dividends during the expected term.

The SS/L phantom stock appreciation rights program has been designed to incentivize and reward our employees based on the increase in a synthetically determined value of SS/L s equity. As SS/L s common stock has not historically been publicly traded and thus does not have a readily ascertainable market value, its equity value under the program is derived from a formula that calculates equity value based on a multiple of Adjusted EBITDA plus cash on hand less debt at the end of the relevant year. Each phantom stock appreciation right provides the recipient with the right to receive an amount equal to the increase in our notional stock price over the base price at the date of grant multiplied by the number of phantom stock appreciation rights vested on the applicable vesting date. The baseline price at each grant date is updated accordingly.

The phantom stock appreciation rights have fixed exercise dates. As such, the phantom stock appreciation rights are automatically exercised and the value (if any) is paid out on each vesting date. The phantom stock appreciation rights may be settled in Loral stock or cash at our option. The number of shares of Loral stock to be issued on the vesting date is determined by dividing the SAR value by the price per share of Loral stock on the vesting date. Accordingly, the SS/L Phantom SARs are accounted for as liability awards and the value of the awards is adjusted quarterly for changes in the value of the award resulting from increases or decreases in actual or forecasted Adjusted EBITDA for the relevant year. Compensation expense is recognized ratably over the requisite vesting period.

Goodwill and Other Intangible Assets

Goodwill represented the amount by which the Company s reorganization equity value exceeded the fair value of its tangible assets and identified intangible assets less its liabilities, as of October 1, 2005, the date we adopted fresh-start accounting. Our 2008 goodwill impairment test resulted in the recording of an impairment charge in 2008 for the entire goodwill balance of $187.9 million. The Company s estimate of the fair value of SS/L employed both a comparable public company analysis, which considered the valuation multiples of companies deemed comparable, in whole or in part, to the Company and a discounted cash flow analysis that calculated a present value of the projected future cash flows of SS/L. The Company considered both quantitative and qualitative factors in assessing the reasonableness of the underlying assumptions used in the valuation process. Testing goodwill for impairment requires significant subjective judgments by management.

Contingencies

Contingencies by their nature relate to uncertainties that require management to exercise judgment both in assessing the likelihood that a liability has been incurred as well as in estimating the amount of potential loss, if any. We accrue for costs relating to litigation, claims and other contingent matters when, in management s opinion, such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management s judgment, as appropriate. Actual amounts paid may differ from amounts estimated, and such differences will be charged to operations in the period in which the final determination of the liability is made. Management considers the assessment of loss contingencies as a critical accounting policy because of the significant uncertainty relating to the outcome of any potential legal actions and other claims and the difficulty of predicting the likelihood and range of the potential liability involved, coupled with the material impact on our results of operations that could result from legal actions or other claims and assessments.

54

Table of Contents

Accounting Standards Issued and Not Yet Implemented

For discussion of accounting standards issued and not yet implemented, see Note 2 to the financial statements.

Liquidity and Capital Resources

Loral

As described above, the Company s principal assets are 100% of the capital stock of SS/L and a 64% economic interest in Telesat. In addition, the Company has a 56% economic interest in XTAR. SS/L s operations are consolidated in the Company s financial statements, while the operations of Telesat and XTAR are not consolidated but are presented using the equity method of accounting.

The Parent Company has no debt. SS/L amended and restated its revolving credit facility on December 20, 2010, increasing the facility amount to $150 million, extending the maturity to January 24, 2014 and removing the Parent Company guarantee. At December 31, 2010, there were no outstanding borrowings and $5 million of letters of credit was outstanding. Telesat has third party debt with financial institutions, and XTAR has debt to its LLC member, Hisdesat, Loral s joint venture partner in XTAR. The Parent Company has not provided a guarantee for the debt of Telesat or XTAR.

Cash is maintained at the Parent Company, SS/L, Telesat and XTAR to support the operating needs of each respective entity. The ability of SS/L and Telesat to pay dividends and management fees in cash to the Parent Company is governed by applicable covenants relating to the debt at each of those entities and in the case of Telesat and XTAR by their respective shareholder agreements.

The Parent Company s cash flow is fairly predictable. SS/L s cash flow, however, is subject to substantial timing fluctuation of receipts and expenditures and is difficult to forecast on a quarter to quarter basis. A typical satellite production contract takes two to three years to complete. SS/L s cash receipts are tied to the achievement of contract milestones which are negotiated for each contract and the timing of milestone receipts does not necessarily match the timing of cash expenditures. Revenues and profits under these long-term contracts are recognized using the cost-to-cost percentage of completion method, so the timing of revenue recognition and cash receipts do not match, creating fluctuations in certain balance sheet accounts including contracts-in-process, long-term receivables and customer advances. In addition, the timing of satellite awards is difficult to predict, contributing to the unevenness of revenues and cash flow.

Cash and Available Credit

At December 31, 2010, the Company had $166 million of cash and cash equivalents, $6 million of restricted cash and no debt. These amounts are substantially unchanged from our positions at December 31, 2009 despite spending approximately $147 million to fund an increase in contract assets and capital expenditures. Adjusted EBITDA for the Company was approximately $124 million for 2010. During 2010, SS/L did not borrow any funds under its revolving credit agreement.

As discussed above, the SS/L Credit Agreement was amended and restated on December 20, 2010 to increase the facility from $100 million to $150 million, extend the maturity to January 24, 2014 and eliminate the Parent Company guarantee. A $50 million letter of credit sub-limit was maintained. As of December 31, 2010, SS/L had borrowing availability of approximately $145 million under the facility after giving effect to approximately $5 million of outstanding letters of credit. SS/L anticipates that over the next 12 months it will be in compliance with all the covenants of the SS/L Credit Agreement and have full availability of the facility. The amended and restated SS/L Credit Agreement allows for a spin-off of SS/L from Loral or an initial public offering of SS/L.

Table of Contents

Cash Management

We have a cash management investment program that seeks a competitive return while maintaining a conservative risk profile. Our cash management investment policy establishes what we believe to be conservative guidelines relating to the investment of surplus cash. The policy allows us to invest in commercial paper, money market funds and other similar short term investments but does not permit us to engage in speculative or leveraged transactions, nor does it permit us to hold or issue financial instruments for trading purposes. The cash management investment policy was designed to preserve capital and safeguard principal, to meet all of our liquidity requirements and to provide a competitive rate of return for similar risk categories of investment. The policy addresses dealer qualifications, lists approved securities, establishes minimum acceptable credit ratings, sets concentration limits, defines a maturity structure, requires all firms to safe keep securities on our behalf, requires certain mandatory reporting activity and discusses review of the portfolio. We operate the cash management investment program under the guidelines of our investment policy and continuously monitor the investments to avoid risks.

We currently invest our cash in several liquid Prime AAA money market funds. The dispersion across funds reduces the exposure of a default at one fund.

Orbital Receivables

As of December 31, 2010, SS/L had orbital receivables of approximately $312 million, net of fresh-start fair value adjustments of $18 million. Of the gross orbital receivables as of December 31, 2010, approximately $196 million are related to satellites launched and $134 million are related to satellites that are under construction. This represents an increase in gross orbital receivables of approximately $66 million from December 31, 2009.

We anticipate that this orbital receivable asset will continue to grow, deferring the receipt of cash. We will generate positive cash flow from orbital receivables once principal and interest payments received for the in-orbit satellites become greater than the amount being deferred for satellites under construction. The timing of when we will have positive cash flow from orbital receivables is dependent on a number of factors including the number of new satellite awards with the requirement for orbital incentive payments, the timing of the completion of contracts under construction, interest rates associated with orbital incentive payments, the performance of on-orbit satellites and the number of satellites in operation as compared to the number of satellites under construction.

Liquidity

During 2010, the Parent Company s unrestricted cash position decreased approximately $14 million to $27 million. Cash was used to fund capital expenditures for the Canadian broadband business as well as operating costs. The Parent Company received cash from the settlement of insurance claims and also from the exercise of stock options.

The details of the Delaware shareholder derivative case relating to the Company s sale in 2007 of $300 million of preferred stock to certain funds affiliated with MHR are disclosed in Note 14 to the financial statements. The Parent Company purchased directors and officers liability insurance coverage that provides the Company with up to $40 million of coverage of which the insurers had advanced approximately $9.8 million as of December 31, 2009. The Company sought recovery for the additional costs it incurred. From a cash flow perspective, the Parent Company paid $14.4 million in May 2010 to the directors affiliated with MHR for indemnification of their defense costs and expenses. The Parent Company received $1.2 million in July 2010 from insurers in settlement of approximately $1.6 million in defense costs and expenses that had previously been denied by the insurers. In December 2010, the Parent Company received $3.1 million of a $12.5 million insurance settlement with the remaining $9.4 million received in January 2011. As a result of a February court ruling, and assuming no further appeals or that the Parent Company wins any further appeals, the Parent Company is entitled to receive an additional $6.0 million from its insurers.

The Parent Company also received approximately $12 million net from the exercise of stock options during 2010. Through March 8, 2011, the Parent Company used approximately $16 million in connection with required tax payments for the cashless exercises of stock options. In January 2011, the Parent Company also received a $50 million dividend from SS/L representing a return of cash that was invested in 2008 by the Parent Company. At the Parent Company, we expect that our cash and cash equivalents will be sufficient to fund projected expenditures for the next 12 months.

56

Table of Contents

On March 1, 2011, Loral entered into agreements to sell its investment in the Canadian broadband business, including the Canadian coverage portion of the ViaSat-1 satellite, to Telesat for $13 million plus reimbursement of approximately $48 million, representing Loral s net costs incurred through the closing date. In addition, if Telesat obtains certain supplemental capacity on the payload, Loral will be entitled to receive for four years one-half of any net revenue actually earned by Telesat on such supplemental capacity. This transaction is expected to close in March 2011 (see Note 16 to the financial statements). During 2010, the Parent Company funded approximately $19 million of costs associated with the ViaSat-1 satellite and related ground infrastructure. The Parent Company received CAD 2.5 million of prepayments in 2010 from the ViaSat-1 lessee.

In addition to our cash on hand, we believe that, given the substantial value of our assets, which include our 64% economic interest in Telesat and our 56% equity interest in XTAR, we have the ability, if appropriate, to access the financial markets for debt or equity at the Parent Company. Given the continuously changing financial environment, however, there can be no assurance that the Parent Company would be able to obtain such financing on acceptable terms.

During 2010, SS/L increased its unrestricted cash position approximately $12 million to $139 million despite its investment in orbital receivables, a reduction in its customer advances and its capital expenditures. SS/L generated $143 million in Adjusted EBITDA for 2010.

SS/L s cash uses for 2011, in addition to the dividend mentioned above, are projected to include capital expenditures and continued growth in its orbital receivables balance. With regard to capital expenditures, SS/L is initiating a two-year infrastructure campaign that will include the building of a second thermal vacuum chamber, completing certain building and systems modifications and purchasing additional test and satellite handling equipment to meet its contractual obligations more efficiently. Capital expenditures are estimated to be approximately $135 million over the two-year period before returning to a more customary level of annual expenditures of $30 million to $40 million. The orbital receivable asset will continue to grow in 2011, though at a lower rate than in 2010, as there was a decrease in satellite construction awards in 2010 requiring orbital receivables. The uncertainty as to the timing and nature of new construction contract awards, milestone receipts and cash flow related to contract assets can change our cash requirements. SS/L believes that, absent unforeseen circumstances, with its cash on hand and cash flow from operations, it has sufficient liquidity to fulfill its obligations for the next 12 months. The borrowing capacity under the revolving credit facility also enhances SS/L s liquidity position.

Risks to Cash Flow

Economic and credit market conditions could adversely affect the ability of customers to make payments to us, including orbital receivable payments under satellite construction contracts with SS/L. Though most of our customers are substantial corporations for which creditworthiness is generally high, there are certain customers which are either highly leveraged or are in the developmental stage and are not fully funded. There can be no assurance that these customers will not delay contract payments to, or seek financial relief from, us if such customers have financial difficulties. If customers fall behind or default on their payment obligations, our liquidity will be adversely affected.

There can be no assurance that SS/L s customers will not default on their obligations to SS/L in the future and that such defaults will not materially and adversely affect SS/L and Loral. In the event of an uncured payment default by a customer during the pre-launch construction phase of the satellite, SS/L s construction contracts generally provide SS/L with significant rights even if its customers (or their successors) have paid significant amounts under the contract. These rights typically include the right to stop work on the satellite and the right to terminate the contract for default. In the latter case, SS/L would generally have the right to retain, and sell to other customers, the satellite or satellite components that are under construction. The exercise of such rights, however, could be impeded by the assertion by customers of defenses and counterclaims, including claims of breach of performance obligations on the part of SS/L, and our recovery could be reduced by the lack of a ready resale market for the affected satellites or their components. In either case, our liquidity could be adversely affected pending resolution of such customer disputes.

Table of Contents

In the event of an uncured payment default by a customer after satellite delivery and launch when title has passed to the customer, SS/L s remedies are more limited. Typically, amounts due post-launch and delivery are final milestone payments and, in certain cases, orbital incentive payments. To recover such amounts, SS/L generally would have to commence litigation to enforce its rights. We believe, however, that, as customers generally rely on SS/L to provide orbital anomaly and troubleshooting support for the life of the satellite, which support is generally perceived to be critical to maximize the life and performance of the satellite, it is likely that customers (or their successors) will cure any payment defaults and fulfill their payment obligations or make other satisfactory arrangements to obtain SS/L s support, and our liquidity would not be adversely affected.

SS/L s contracts contain detailed and complex technical specifications to which the satellite must be built. SS/L s contracts also impose a variety of other contractual obligations on SS/L, including the requirement to deliver the satellite by an agreed upon date, subject to negotiated allowances. If SS/L is unable to meet its contract obligations, including significant deviations from technical specifications or delivering the satellite beyond the agreed upon date in a contract, the customer would have the right to terminate the contract for contractor default. If a contract is terminated for contractor default, SS/L would be required to refund the payments made to SS/L to the date of termination, which could be significant. In such circumstances, SS/L would, however, keep the satellite under construction and be able to recoup some of its losses through the resale of the satellite or its components to another customer. It has been SS/L s experience that, because the satellite is generally critical to the execution of a customer s operations and business plan, customers will usually accept a satellite with minor deviations from specifications or renegotiate a revised delivery date with SS/L as opposed to terminating the contract for contractor default and losing the satellite. Nonetheless, the obligation to return all funds paid to SS/L in the later stages of a contract, due to termination for contractor default, would have a material adverse effect on our liquidity.

Many of SS/L s customer contracts include performance incentives, structured as warranty payback or orbital receivables. If a satellite sold under a contract with performance incentives experiences an anomaly that leads to a degradation in performance as defined in each particular contract, then in the case of warranty payback, SS/L would be obligated to return to the customer a portion of the performance incentive payments received and, in the case of orbital receivables, SS/L would no longer be entitled to a portion of the future orbital receivable payments owed. The amount SS/L would either need to return to the customer in case of warranty payback, or would no longer be entitled to receive from the customer in the case of orbital receivables, would depend on various factors including the specific contractual specifications, the satellite performance and life remaining, among other items. Our liquidity could be adversely affected by failure to achieve contractual performance incentives.

On October 19, 2010, TerreStar Networks Inc. (TerreStar), an SS/L customer, filed for bankruptcy under Chapter 11 of the Bankruptcy Code. As of December 31, 2010, SS/L had $19 million of past due receivables from TerreStar related to an in-orbit SS/L built satellite and other related ground system deliverables and $16 million of past due receivables from TerreStar related to a second satellite under construction. SS/L had previously exercised its contractual right to stop work on the satellite under construction as a result of TerreStar s payment default. The in-orbit satellite long-term orbital receivable balance, net of fair value adjustment, reflected on the balance sheet at December 31, 2010 is $15 million. The long term orbital receivable balance reflected on the balance sheet for the satellite under construction is $13 million. In addition, there are approximately $3 million of costs that have been committed to and will be incurred in the future, substantially relating to the ground system deliverables. In February 2011, TerreStar withdrew its proposed plan of reorganization and has indicated that it will explore an alternative plan of reorganization or a sale of its assets. Prior to withdrawing its plan, TerreStar had indicated that it intended to assume its contract for the satellite under construction. In March 2011, TerreStar filed a motion to authorize it to reject its contacts for the in-orbit satellite and related ground system deliverables. SS/L intends to file an objection to TerreStar s motion and believes, based on discussions with TerreStar, that TerreStar intends to negotiate with SS/L terms for the assumption of these contracts. SS/L believes and will assert in its objection that the satellite in orbit and related ground system deliverables are critical to the execution of TerreStar s operation and business plan. In addition, under its contracts with TerreStar, SS/L is obligated to provide orbital anomaly and troubleshooting support for the life of the in-orbit

58

Table of Contents

satellite and related ground system deliverables, and, if TerreStar were to reject these contracts, SS/L would not provide this support. SS/L believes that a prudent satellite operator would not risk losing SS/L s support services because no other service provider has the data or capability to provide these services which are necessary for the continued successful operation of a satellite over its lifetime. SS/L believes, therefore, although no assurance can be given, that, notwithstanding TerreStar s motion to reject the contracts for the in-orbit satellite and related ground system deliverables, because of their importance to TerreStar and the importance of SS/L s ongoing technical support, any plan of reorganization for or sale of assets by TerreStar that does not provide for assumption of these contracts would not be feasible. Accordingly, SS/L believes that TerreStar (or its successor in reorganization) will likely assume its contracts for the in-orbit satellite and related ground system deliverables, and it is not probable that SS/L will incur a material loss with respect to the past due receivables or amounts scheduled to be paid in the future under those contracts. Notwithstanding these considerations, if TerreStar, nevertheless, were to reject its contracts for the in-orbit satellite and related ground system deliverables, and assuming that SS/L received no recovery on its claim as a creditor with respect to these contracts, SS/L believes that it would incur a loss of approximately $27 million, SS/L s cash flow in the short term would be reduced by $20 million and SS/L s cash flow over the approximate 15-year life of the satellite would be reduced by an additional $18 million of long-term orbital receivables plus interest.

SS/L booked seven satellite awards in both 2008 and 2009. SS/L booked six satellite awards in 2010, resulting in backlog of $1.6 billion at December 31, 2010. SS/L has high fixed costs relating primarily to labor and overhead. Based on SS/L s current cost structure which has been sized to accommodate six to eight satellite contract awards per year, SS/L estimates that it covers its fixed costs, including depreciation and amortization, with an average of four to five satellite awards a year depending on the size, power, pricing and complexity of the satellite. If SS/L s satellite awards fall below four to five awards per year, SS/L would be required to phase in a reduction of costs to accommodate this lower level of activity. The timing of any reduced demand for satellites, if it were to occur, is difficult to predict. It is, therefore, difficult to anticipate the need to reduce costs to match any such slowdown in business, especially when SS/L has significant backlog business to perform. A delay in matching the timing of a reduction in business with a reduction in expenditures could adversely affect our liquidity. We believe that SS/L s current backlog, existing liquidity and availability under the Credit Agreement are sufficient to finance SS/L, even if SS/L receives fewer than four awards over the next 12 months. If SS/L were to experience a shortage of orders below the four awards per year for multiple years, SS/L could require additional financing, the amount and timing of which would depend on the magnitude of the order shortfall coupled with the timing of a reduction in costs. There can be no assurance that SS/L could obtain such financing on favorable terms, if at all.

Telesat

Cash and Available Credit

As of December 31, 2010, Telesat had CAD 220 million of cash and short-term investments as well as approximately CAD 153 million of borrowing availability under its Revolving Facility. Telesat believes that cash and short-term investments as of December 31, 2010, cash flow from operations, including amounts provided by operating activities, cash flow from customer prepayments and drawings on the available lines of credit under the Credit Facility (as defined below) will be adequate to meet its expected cash requirement for the next 12 months for activities in the normal course of business, including interest and required principal payments on debt as well as planned capital expenditures.

Liquidity

A large portion of Telesat s annual cash receipts are reasonably predictable because they are primarily derived from an existing backlog of long-term customer contracts and high contract renewal rates. Telesat believes its cash flow from operations will be sufficient to provide for its capital requirements and to fund its interest and debt payment obligations for the next 12 months. Cash required for the construction of the Telstar 14R/Estrela do Sul 2, Nimiq 6 and the Anik G1 satellites plus the acquisition of the Canadian payload on ViaSat-1 will be funded from some or all of the following: cash and short-term investments, cash flow from operations, proceeds from the sale of assets, cash flow from customer prepayments or through borrowings on available lines of credit under the Credit Facility.

59

Table of Contents

Debt

Telesat has entered into agreements with a syndicate of banks to provide Telesat with a series of term loan facilities denominated in Canadian dollars and U.S. dollars, and a revolving facility (collectively, the Senior Secured Credit Facilities) as outlined below. In addition, Telesat has issued two tranches of notes.

	Maturity	Currency	December 31, 2010	December 31, 2009
			(In CAD millions)	
Senior Secured Credit Facilities:				
Revolving facility	October 31, 2012	CAD or USD equivalent		
Canadian term loan facility	October 31, 2012	CAD	170	185
U.S. term loan facility	October 31, 2014	USD	1,699	1,811
U.S. term loan II facility	October 31, 2014	USD	146	155
Senior notes	November 1, 2015	USD	691	730
Senior subordinated notes	November 1, 2017	USD	217	229
		CAD	2,923	3,110
Less: deferred financing costs and repayment options			(54)	(65)
			2,869	3,045
Current portion		CAD	(97)	(23)
Long term portion		CAD	2,772	3,022

The Senior Secured Credit Facilities are secured by substantially all of Telesat s assets. Each tranche of the Senior Secured Credit Facilities is subject to mandatory principal repayment requirements. Borrowings under the Senior Secured Credit Facilities bear interest at a base interest rate plus margins of 275 300 basis points. The required repayments on the Canadian term loan facility will be CAD 90 million for the year ended December 31, 2011. For the U.S. term loan facilities, required repayments in 2011 are 1/4 of 1% of the initial aggregate principal amount which is approximately $5 million per quarter. Telesat is required to comply with certain covenants which are usual and customary for highly leveraged transactions, including financial reporting, maintenance of certain financial covenant ratios for leverage and interest coverage, a requirement to maintain minimum levels of satellite insurance, restrictions on capital expenditures, a restriction on fundamental business changes or the creation of subsidiaries, restrictions on investments, restrictions on dividend payments, restrictions on the incurrence of additional debt, restrictions on asset dispositions and restrictions on transactions with affiliates.

The Senior notes bear interest at an annual rate of 11.0% and are due November 1, 2015. The Senior notes include covenants or terms that restrict Telesat s ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) modify or cancel the Company s satellite insurance, (vi) effect mergers with another entity and (vii) redeem the Senior notes prior to May 1, 2012, in each case subject to exceptions provided in the Senior notes indenture.

The Senior subordinated notes bear interest at a rate of 12.5% and are due November 1, 2017. The Senior subordinated notes include covenants or terms that restrict Telesat s ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or

acquisitions, (iv) enter into certain transactions with affiliates, (v) modify or cancel the Company s satellite insurance, (vi) effect mergers with another entity and (vii) redeem the Senior subordinated notes prior to May 1, 2013, in each case subject to exceptions provided in the Senior subordinated notes indenture.

Interest Expense

An estimate of the interest expense on the Facilities is based upon assumptions of LIBOR and Bankers Acceptance rates and the applicable margin for the Senior Secured Credit Facilities. Telesat s estimated interest expense for 2011 is approximately CAD 242 million.

Table of Contents

Derivatives

Telesat has used interest rate and currency derivatives to hedge its exposure to changes in interest rates and changes in foreign exchange rates.

Telesat uses forward contracts to hedge foreign currency risk on anticipated transactions, mainly related to the construction of satellites and interest payments. At December 31, 2010, Telesat had CAD 188.3 million of outstanding foreign exchange contracts which require the Company to pay Canadian dollars to receive $185.0 million for future capital expenditures and interest payments. At December 31, 2010, the fair value of these derivative contract liabilities was a liability of CAD 2.6 million, and at December 31, 2009, there was a CAD 0.4 million liability.

Telesat has also entered into a cross currency basis swap to hedge the foreign currency risk on a portion of its U.S. dollar denominated debt. Telesat uses mostly natural hedges to manage the foreign exchange risk on operating cash flows. At December 31, 2010, the Company had a cross currency basis swap of CAD 1,187.5 million which requires the Company to pay Canadian dollars to receive $1,022.4 million. At December 31, 2010, the fair value of this derivative contract was a liability of CAD 192.5 million. Most of this non-cash loss will remain unrealized until the contract is settled. This contract is due on October 31, 2014. At December 31, 2009, there was a liability of CAD 137.1 million.

Interest rate risk

Telesat is exposed to interest rate risk on its cash and cash equivalents and its long term debt which is primarily variable rate financing. Changes in the interest rates could impact the amount of interest Telesat is required to pay. Telesat uses interest rate swaps to hedge the interest rate risk related to variable rate debt financing. At December 31, 2010, the fair value of these derivative contract liabilities was CAD 49.4 million, and at December 31, 2009, there was a liability of CAD 47.8 million. These contracts are due between January 31, 2011 and October 31, 2014.

Capital Expenditures

Telesat has entered into contracts with SS/L for the construction of Telstar 14R/Estrela do Sul 2 (targeted to be launched mid-2011) Nimiq 6, a direct broadcast satellite to be used by Telesat s customer, Bell TV, and Anik G1. Telesat will also acquire the Canadian payload on ViaSat-1. These expenditures will be funded from some or all of the following: cash and short-term investments, cash flow from operations, proceeds from the sale of assets, cash flow from customer prepayments or through borrowings on available lines of credit under the Credit Facility.

XTAR

In January 2009, XTAR reached an agreement with Arianespace, S.A. to settle its revenue-based fee that was to be paid over time. To enable XTAR to be able to make these settlement payments, XTAR issued a capital call to its LLC members for $8 million in 2009. The capital call required Loral to increase its investment in XTAR by approximately $4.5 million, representing its 56% share of $8 million. This settlement benefited XTAR by providing a significant reduction to amounts that it would have been required to pay in the future and satisfied XTAR s obligations to Arianespace.

In March 2011, Loral and Hisdesat agreed that each shareholder intends to make a capital contribution to XTAR in proportion to its equity interest in XTAR, which will use the proceeds to repay the convertible loan of $10.8 million and related accrued interest to Hisdesat.

Table of Contents

Contractual Obligations and Other Commercial Commitments

The following tables aggregate our contractual obligations and other commercial commitments as of December 31, 2010 (in thousands).

Contractual Obligations:

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Operating leases[1]	$ 46,504	$ 11,435	$ 15,838	$ 10,606	$ 8,625
Unconditional purchase obligations[2]	454,140	292,105	162,035		
Other long-term obligations[3]	29,884	19,906	1,044	1,126	7,808
Revolving credit agreement[4]					
Total contractual cash obligations[5]	$ 530,528	$ 323,446	$ 178,917	$ 11,732	$ 16,433

Other Commercial Commitments:

	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Standby letters of credit	$ 4,911	$ 4,911	$	$	$

(1) Represents future minimum payments under operating leases with initial or remaining terms of one year or more.

(2) SS/L has entered into various purchase commitments with suppliers due to the long lead times required to produce purchased parts.

(3) Represents our commitment in connection with an agreement entered into between Loral and ViaSat for the purchase by Loral of a portion of the ViaSat-1 satellite which is being constructed by SS/L for ViaSat as well as commitments for related gateway infrastructure and equipment. In March 2011, Telesat agreed to assume and Loral agreed to assign its commitments related to this project to Telesat in March 2011 (see Note 16 to the financial statements).

(4) On December 20, 2010, SS/L amended and restated its revolving credit agreement with several banks and other financial institutions. The credit agreement provides for a $150 million senior secured revolving credit facility. The credit agreement matures on January 24, 2014 (see Note 8 to the financial statements). No amounts were outstanding under the credit agreement at December 31, 2010.

(5) Does not include our liabilities for uncertain tax positions of $122.8 million. Because the timing of future cash outflows associated with our liabilities for uncertain tax positions is highly uncertain, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities (see Note 9 to the financial statements). Does not include obligations for pensions and other postretirement benefits, for which we expect to make employer contributions of $39.1 million in 2011. We also expect to make significant employer contributions to our plans in future years.

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities was $42 million for the year ended December 31, 2010.

The major driver of cash provided by operating activities was net income adjusted for non-cash items of $108 million which was partially offset by cash used in program related assets (contracts-in-process, inventories and customer advances) of $73 million. Cash flow from operating activities was reduced by $44 million in 2010 due to an increase in contracts-in-process caused by advance spending on programs that customers are obligated to pay us for in the future. Customer advances reduced cash flow from operating activities by $43 million due to the timing of awards and progress on new satellite programs.

Other factors affecting cash from operating activities in 2010 were: accounts payable, accrued expenses and other current liabilities increased cash by $20 million; other current assets and other assets decreased cash by $9 million; and pension and other post retirement liabilities reduced cash by $9 million.

Table of Contents

Net cash provided by operating activities for 2009 was $155 million. This was primarily due to net cash provided from program related assets (contracts-in-process, inventories, long term receivables and customer advances) of $84 million and net income adjusted for non-cash items of $67 million. Changes in program related assets resulted mainly from progress on new and existing satellite programs.

Net cash used in operating activities for 2008 was $202 million. This was primarily due to an increase in contracts in process of $216 million and a decrease in customer advances of $20 million, primarily resulting from progress on new satellite programs, a decrease in taxes payable of $55 million, primarily due to tax payments, net of refunds, of $30 million, a decrease in pension and post retirement liabilities of $19 million and a decrease in accrued expenses and other current liabilities of $22 million which includes a Telesat post-closing final adjustment payment to PSP of $9 million, partially offset by an increase in accounts payable of $24 million, an increase in long term liabilities of $33 million, primarily due to a $41 million liability for uncertain tax positions and a net loss after adjustment for non-cash items of $69 million.

Net Cash (Used in) Provided By Investing Activities

Net cash used in investing activities for 2010 was $54 million, which included capital expenditures of $35 million for satellite manufacturing and $19 million for the Canadian broadband business.

Net cash used in investing activities for 2009 was $49 million, primarily resulting from capital expenditures of $44 million and an additional investment of $4.5 million in XTAR, representing our 56% share of an $8 million capital call.

Net cash used in investing activities for 2008 was $47 million, primarily resulting from capital expenditures of $65 million, partially offset by a decrease in restricted cash of $19 million as a result of the release of restrictions on $12 million of cash relating to the Skynet Noteholder Litigation and the release of restrictions on $7 million of cash due to the replacement of SS/L s former Letter of Credit Facility.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities for 2010 was $10 million, which included $12 million from the exercise of stock options, net of withholding taxes, partially offset by $2 million of issuance costs related to the amendment and extension of SS/L s revolving credit facility.

Net cash used in financing activities for 2009 was $55 million, primarily resulting from the repayment of borrowings under the SS/L Credit Agreement.

Net cash provided by financing activities for 2008 was $52 million, primarily resulting from the proceeds, net of expenses, from borrowings under the SS/L Credit Agreement.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, as defined by the rules and regulations of the SEC, that have or are reasonably likely to have a material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. As a result, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these arrangements.

Other

Operating cash flows for 2010 included contributions of approximately $25 million to the qualified pension plan and approximately $3 million for other employee post-retirement benefit plans. During 2009, we contributed approximately $23 million to the qualified pension plan and funded approximately $3 million for other employee post-retirement benefit plans. During 2008, we contributed approximately $28 million to the qualified pension plan and funded approximately $4 million for other employee post-retirement benefit plans. During 2011, based on current estimates, we expect to contribute approximately $34 million to the qualified pension plan and expect to fund approximately $5 million for other employee post-retirement benefit plans.

Table of Contents

Affiliate Matters

Loral has made certain investments in joint ventures in the satellite services business that are accounted for under the equity method of accounting (see Note 6 to the financial statements for further information on affiliate matters).

Our consolidated statements of operations reflect the effects of the following amounts related to transactions with or investments in affiliates (in millions):

	Year Ended December 31,		
	2010	2009	2008
	(In millions)		
Revenues	$ 137.2	$ 92.1	$ 84.0
Elimination of Loral s proportionate share of profits relating to affiliate transactions	(14.7)	(10.1)	(5.0)
Profits relating to affiliate transactions not eliminated	8.3	5.7	2.8

Commitments and Contingencies

Our business and operations are subject to a number of significant risks, the most significant of which are summarized in Item 1A Risk Factors and also in Note 14 to the financial statements.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

Foreign Currency

Loral

In the normal course of business, we are subject to the risks associated with fluctuations in foreign currency exchange rates. To limit this foreign exchange rate exposure, the Company seeks to denominate its contracts in U.S. dollars. If we are unable to enter into a contract in U.S. dollars, we review our foreign exchange exposure and, where appropriate, derivatives are used to minimize the risk of foreign exchange rate fluctuations to operating results and cash flows. We do not use derivative instruments for trading or speculative purposes.

As of December 31, 2010, SS/L had the following amounts denominated in Japanese Yen and EUROs (which have been translated into U.S. dollars based on the December 31, 2010 exchange rates) that were unhedged:

	Foreign Currency	U.S. $
	(In millions)	
Future revenues Japanese yen	¥ 201.0	$ 2.5
Future expenditures Japanese yen	¥ 4,253.8	$ 52.2
Future revenues euros	12.6	$ 16.7
Future expenditures euros	7.5	$ 9.9

Derivatives

In June 2010 and July 2008, SS/L was awarded satellite contracts denominated in euros and entered into a series of foreign exchange forward contracts with maturities through 2013 and 2011, respectively, to hedge associated foreign currency exchange risk because our costs are denominated principally in U.S. dollars. These foreign exchange forward contracts have been designated as cash flow hedges of future euro denominated receivables.

Table of Contents

The maturity of foreign currency exchange contracts held as of December 31, 2010 is consistent with the contractual or expected timing of the transactions being hedged, principally receipt of customer payments under long-term contracts. These foreign exchange contracts mature as follows:

Maturity	Euro Amount	To Sell At Contract Rate	At Market Rate
		(In millions)	
2011	111.4	$ 142.3	$ 147.3
2012	27.0	32.6	35.5
2013	27.0	32.9	35.5
	165.4	$ 207.8	$ 218.3

As a result of the use of derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Company has a policy of entering into contracts only with carefully selected major financial institutions based upon their credit ratings and other factors.

The aggregate fair value of derivative instruments in an asset position was $4.5 million as of December 31, 2010. This amount represents the maximum exposure to loss at December 31, 2010 as a result of the potential failure of the counterparties to perform as contracted.

Telesat

Telesat s operating results are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in currencies other than Canadian dollars. Approximately 45% of Telesat s revenues for the year ended December 31, 2010, certain of its expenses and a substantial portion of its indebtedness and capital expenditures were denominated in U.S. dollars. The most significant impact of variations in the exchange rate is on the U.S. dollar denominated debt financing. A five percent change in the value of the Canadian dollar against the U.S. dollar at December 31, 2010 would have increased or decreased Telesat s net income for the year ended December 31, 2010 by approximately $151 million. During the period from October 31, 2007 to December 31, 2010, Telesat s U.S. Term Loan Facility, Senior Notes and Senior Subordinated Notes have increased by approximately $133 million due to the stronger U.S. dollar. During that same time period, however, the liability created by the fair value of the currency basis swap, which synthetically converts $1.054 billion of the U.S. Term Loan Facility debt into CAD 1.224 billion of debt, decreased by approximately $129 million.

Interest

The Company had no borrowings outstanding under the SS/L Credit Agreement at December 31, 2010. Borrowings under this facility are limited to Eurodollar Loans for periods ending in one, two, three or six months or daily loans for which the interest rate is adjusted daily based upon changes in the Prime Rate, Federal Funds Rate or one month Eurodollar Rate. Because of the nature of the borrowing under a revolving credit facility, the borrowing rate adjusts to changes in interest rates over time. For a $150 million credit facility, if it were fully borrowed, a one percent change in interest rates would effect the Company s interest expense by $1.5 million for the year. The Company had no other long-term debt or other exposure to changes in interest rates with respect thereto.

As of December 31, 2010, the Company held 984,173 shares of Globalstar Inc. common stock and $2.1 million of non-qualified pension plan assets that were mainly invested in equity and bond funds. During the year, our excess cash was invested in money market securities; we did not hold any other marketable securities.

Item 8. ***Financial Statements and Supplementary Data***

See Index to Financial Statements and Financial Statement Schedules on page F-1.

65

Table of Contents

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and our chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of December 31, 2010, have concluded that our disclosure controls and procedures were effective and designed to ensure that information relating to Loral and its consolidated subsidiaries required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission rules and forms. The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under such criteria, our management concluded that our internal control over financial reporting was effective as of December 31, 2010.

Our management s assessment of the effectiveness of our internal control over financial reporting as of December 31, 2010 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in its attestation report which is included below.

Table of Contents

Changes in Internal Controls Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2010 that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our chief executive officer and our chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all error and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls may also be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Loral Space & Communications Inc.
New York, New York

We have audited the internal control over financial reporting of Loral Space & Communications Inc. and subsidiaries (the Company) as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on that risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2010, of the Company and our report dated March 15, 2011 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 15, 2011

Table of Contents

Item 9B. ***Other Information***

None.

PART III

Item 10. ***Directors and Executive Officers of the Registrant***

Executive Officers of the Registrant

The following table sets forth information concerning the executive officers of Loral as of March 1, 2011.

Name	Age	Position
Michael B. Targoff	66	Chief Executive Officer since March 1, 2006, President since January 2008 and Vice Chairman of the Board of Directors since November 2005. Prior to that, founder of Michael B. Targoff & Co.
Avi Katz	52	Senior Vice President, General Counsel and Secretary since January 2008. Vice President, General Counsel and Secretary from November 2005 to January 2008.
Richard P. Mastoloni	46	Senior Vice President of Finance and Treasurer since January 2008. Vice President and Treasurer from November 2005 to January 2008.
Harvey B. Rein	57	Senior Vice President and Chief Financial Officer since January 2008. Vice President and Controller from November 2005 to January 2008.
John Capogrossi	57	Vice President and Controller since January 2008. Executive Director, Financial Planning and Analysis, from October 2006 to January 2008. Assistant Controller from November 2005 to October 2006.

Messrs. Katz, Mastoloni and Rein were executive officers of Old Loral and certain of its subsidiaries which filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in July 2003. In addition, Messrs. Katz, Mastoloni and Rein served as executive officers of Globalstar, L.P. and certain of its subsidiaries, Loral/Qualcomm Satellite Services, L.P. (LQSS), the managing general partner of Globalstar, L.P., Loral/Qualcomm Partnership, L.P. (LQP), the general partner of LQSS, and certain subsidiaries of Old Loral that served as general partners of LQP, all of which filed voluntary petitions for reorganization under Chapter 11 of the Bankruptcy Code in February 2002.

The remaining information required under Item 10 will be presented in the Company s 2011 definitive proxy statement which is incorporated herein by reference.

Item 11. ***Executive Compensation***

Information required under Item 11 will be presented in the Company s 2011 definitive proxy statement which is incorporated herein by reference.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Information required under Item 12 will be presented in the Company s 2011 definitive proxy statement which is incorporated herein by reference.

Item 13. ***Certain Relationships and Related Transactions***

Information required under Item 13 will be presented in the Company s 2011 definitive proxy statement which is incorporated herein by reference.

69

Table of Contents

Item 14. ***Principal Accountant Fees and Services***

Information required under Item 14 will be presented in the Company s 2011 definitive proxy statement which is incorporated herein by reference.

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

(a) 1. Financial Statements

Index to Financial Statements and Financial Statement Schedule

Loral Space & Communications Inc. and Subsidiaries:

(a) 2. Financial Statement Schedule

Separate Financial Statements of Subsidiaries not consolidated Pursuant to Rule 3-09 of Regulation S-X

Telesat Holdings Inc. and Subsidiaries:

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Debtors Fourth Amended Joint Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated June 3, 2005(1)
2.2	Modification to Debtors Fourth Amended Plan of Reorganization Under Chapter 11 of the Bankruptcy Code dated August 1, 2005(2)
2.3	Letter Agreement among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, 4363205 Canada Inc. and 4363213 Canada Inc. dated December 14, 2006(5)
2.4	Share Purchase Agreement among 4363213 Canada Inc., BCE Inc. and Telesat dated December 16, 2006(5)
2.5	Letter Agreement among Loral Space & Communications Inc., Public Sector Pension Investment Board and BCE Inc. dated December 16, 2006(5)
2.6	Asset Transfer Agreement, dated as of August 7, 2007, by and among 4363205 Canada Inc., Loral Skynet Corporation and Loral Space & Communications Inc.(7)
2.7	Amendment No. 1 to Asset Transfer Agreement, dated as of September 24, 2007, by and among 4363205 Canada Inc., Loral Skynet Corporation and Loral Space & Communications Inc.(8)
2.8	Asset Purchase Agreement, dated as of August 7, 2007, by and among Loral Skynet Corporation, Skynet Satellite Corporation and Loral Space & Communications Inc.(7)
3.1	Restated Certificate of Incorporation of Loral Space & Communications Inc. dated May 19, 2009(17)
3.2	Amended and Restated Bylaws of Loral Space & Communications Inc. dated December 23, 2008(13)
3.3	Amendment No. 1 to Bylaws of Loral Space & Communications dated January 12, 2010(21)
10.1	Amended and Restated Credit Agreement, dated as of December 20, 2010, by and among Space Systems/Loral, Inc., as borrower, the several banks and other financial institutions or entities from time to time party thereto, Credit Suisse Securities (USA) LLC, as documentation agent, ING Bank N.V., as syndication agent, J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC, as joint lead arrangers and joint bookrunners, and JPMorgan Chase Bank, N.A., as administrative agent(25)
10.2	Ancillary Agreement, dated as of August 7, 2007, by and among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, 4363205 Canada Inc. and

	4363230 Canada Inc.(7)
10.3	Adjustment Agreement, dated as of October 29, 2007, between Telesat Interco Inc. (formerly 4363213 Canada Inc.), BCE Inc. and Telesat(9)
10.4	Omnibus Agreement, dated as of October 30, 2007, by and among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, Red Isle Private Investments Inc. and Telesat Holdings Inc. (formerly 4363205 Canada Inc.)(9)

Table of Contents

Exhibit Number	Description
10.5	Shareholders Agreement, dated as of October 31, 2007, between Public Sector Pension Investment Board, Red Isle Private Investments Inc., Loral Space & Communications Inc., Loral Space & Communications Holdings Corporation, Loral Holdings Corporation, Loral Skynet Corporation, John P. Cashman, Colin D. Watson, Telesat Holdings Inc. (formerly 4363205 Canada Inc.), Telesat Interco Inc. (formerly 4363213 Canada Inc.), Telesat and MHR Fund Management LLC(9)
10.6	Consulting Services Agreement, dated as of October 31, 2007, by and between Loral Space & Communications Inc. and Telesat(9)
10.7	Indemnity Agreement, dated as of October 31, 2007, by and among Loral Space & Communications Inc., Telesat, Telesat Holdings Inc., Telesat Interco Inc. and Henry Gerard (Hank) Intven(9)
10.8	Acknowledgement and Indemnity Agreement, dated as of October 31, 2007, between Loral Space & Communications Inc., Telesat, Telesat Holdings Inc. (formerly 4363205 Canada Inc.), Telesat Interco Inc. (formerly 4363213 Canada Inc.) and McCarthy Tétrault LLP(9)
10.9	Amended and Restated Registration Rights Agreement dated December 23, 2008 by and among Loral Space & Communications Inc. and the Persons Listed on the Signature Pages Thereof(13)
10.10	Letter Agreement, dated as of June 30, 2009, by and among Loral Space & Communications Inc, MHR Capital Partners Master Account LP, MHR Capital Partners (100) LP, MHR Institutional Partners LP, MHRA LP, MHRM LP, MHR Institutional Partners II LP, MHR Institutional Partners IIA LP and MHR Institutional Partners III LP.(18)
10.11	Letter Agreement dated April 30, 2010 relating to indemnification among the Special Committee of the Board of Directors of Loral Space & Communications Inc. and Mark Rachesky, Hal Goldstein, Sai Devahaktuni, MHR Fund Management LLC and certain entities affiliated with MHR Fund Management LLC (23)
10.12	Settlement Agreement dated December 15, 2010 between XL Specialty Insurance Company, Arch Insurance Company, U.S. Specialty Insurance Company, Loral Space & Communications Inc., Mark H. Rachesky, Hal Goldstein and Sai S. Devabhaktuni, and (for purposes of paragraphs 6 and 7 and 9 through 20 only) MHR Fund Management LLC and certain of its affiliated entities(24)
10.13	Partnership Interest Purchase Agreement dated December 21, 2007 by and among GSSI, LLC, Globalstar, Inc., Loral/DASA Globalstar, LP, Globalstar do Brasil, SA., Loral/DASA do Brasil Holdings Ltda., Loral Holdings LLC, Global DASA LLC, LGP (Bermuda) Ltd., Mercedes-Benz do Brasil Ltda. (f/k/a DaimlerChrysler do Brasil Ltda.) and Loral Space & Communications Inc.(10)
10.14	Beam Sharing Agreement, dated as of January 11, 2008, by and between Loral Space & Communications Inc. and ViaSat Inc.(11)
10.15	Satellite Capacity and Gateway Service Agreement dated as of December 31, 2009 between Loral Space & Communications Inc. and Barrett Xplore Inc.(20)

10.16	Gateway Facilities Assignment and Assumption Agreement dated as of March 1, 2011 by and between Telesat Canada, Loral Space & Communications Inc. and Loral Canadian Gateway Corporation(26)
10.17	Space Segment Assignment and Assumption Agreement dated as of March 1, 2011 by and between Telesat IOM Limited and Loral Space & Communications Inc.(26)
10.18	Barrett Assignment Agreement dated as of March 1, 2011 by and between Telesat IOM Limited and Loral Space & Communications Inc.(26)

Table of Contents

Exhibit Number	Description
10.19	Employment Agreement between Loral Space & Communications Inc. and Michael B. Targoff dated as of March 28, 2006 and amended and restated as of December 17, 2008(15)
10.20	Form of Officers and Directors Indemnification Agreement between Loral Space & Communications Inc. and Loral Executives(3)
10.21	Loral Space Management Incentive Bonus Program (Adopted as of December 17, 2008)(13)
10.22	Loral Space & Communications Inc. 2005 Stock Incentive Plan (Amended and Restated as of April 3, 2009)(16)
10.23	Form of Amended and Restated Non-Qualified Stock Option Agreement under Loral Space & Communications Inc. 2005 Stock Incentive Plan for Senior Management dated as of December 21, 2005 and amended and restated as of November 10, 2008(15)
10.24	Non-Qualified Stock Option Agreement under Loral Space & Communications Inc. 2005 Stock Incentive Plan between Loral Space & Communications Inc. and Michael B. Targoff dated March 28, 2006(4)
10.25	Restricted Stock Unit Agreement dated March 5, 2009 between Loral Space & Communications Inc. and Michael B. Targoff(14)
10.26	Restricted Stock Unit Agreement dated March 5, 2010 between Loral Space & Communications Inc. and Michael B. Targoff(22)
10.27	Restricted Stock Unit Agreement dated March 5, 2011 between Loral Space & Communications Inc. and Michael B. Targoff
10.28	Option Agreement dated October 27, 2009, between Loral Space & Communications Inc. and Michael B. Targoff(19)
10.29	Form of Restricted Stock Unit Agreement dated October 27, 2009 between Loral Space & Communications Inc. and Loral executives(19)
10.30	Form of Phantom Stock Appreciation Rights Agreement relating to Space Systems/Loral, Inc. dated October 27, 2009 between Loral Space & Communications Inc. and Loral and SS/L executives(19)
10.31	Form of Director 2006 Restricted Stock Agreement(6)
10.32	Form of Director 2007 Restricted Stock Agreement(6)
10.33	Form of Director 2008 Restricted Stock Agreement(15)
10.34	Form of Director 2009 Restricted Stock Unit Agreement(22)

10.35	Form of Director 2010 Restricted Stock Unit Agreement
10.36	Form of Employee Restricted Stock Agreement(6)
10.37	Amended and Restated Space Systems/Loral, Inc. Supplemental Executive Retirement Plan (Amended and Restated as of December 17, 2008)(13)
10.38	Loral Savings Supplemental Executive Retirement Plan (Amended and Restated as of December 17, 2008)(13)
10.39	Loral Space & Communications Inc. Severance Policy for Corporate Officers (Amended and Restated as of December 17, 2008)(13)
14.1	Code of Conduct, Revised as of November 1, 2010

Table of Contents

Exhibit Number	Description
21.1	List of Subsidiaries of the Registrant
23.1	Consent of Deloitte & Touche LLP
23.2	Consent of Deloitte & Touche LLP
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
99.1	Credit Agreement, dated as of October 31, 2007, among Telesat Interco Inc. (formerly 4363213 Canada Inc.), Telesat Holdings Inc. (formerly 4363205 Canada Inc.), 4363230 Canada Inc., Telesat LLC, certain subsidiaries of Telesat Holdings Inc., as guarantors, the lenders party thereto from time to time, Morgan Stanley Senior Funding, Inc., as administrative agent, and Morgan Stanley & Co. Incorporated, as collateral agent for the lenders, UBS Securities LLC, as syndication agent, JPMorgan Chase Bank, N.A., The Bank of Nova Scotia, as issuing bank, and Citibank, N.A., Canadian Branch or any of its lending affiliates, as co-documentation agents, and Morgan Stanley & Co. Incorporated, UBS Securities LLC and J.P. Morgan Securities Inc., as joint lead arrangers and joint book running managers(9)
99.2	Articles of Incorporation of Telesat Holdings Inc. (formerly 4363205 Canada Inc.)(9)
99.3	By-Law No. 1 of Telesat Holdings Inc. (formerly 4363205 Canada Inc.)(9)
99.4	Letter Agreement dated March 28, 2008 among Loral Space & Communications Inc., Loral Skynet Corporation, Public Sector Pension Investment Board, Red Isle Private Investment Inc. and Telesat Holdings Inc.(12)

(1) Incorporated by reference from the Company s Current Report on Form 8-K filed on June 8, 2005.

(2) Incorporated by reference from the Company s Current Report on Form 8-K filed on August 5, 2005.

(3) Incorporated by reference from the Company s Current Report on Form 8-K filed on November 23, 2005.

(4) Incorporated by reference from the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2005 filed on March 28, 2006.

(5) Incorporated by reference from the Company s Current Report on Form 8-K filed on December 21, 2006.

(6) Incorporated by reference from the Company s Current Report on Form 8-K filed on May 29, 2007.

(7) Incorporated by reference from the Company s Current Report on Form 8-K filed on August 9, 2007.

(8) Incorporated by reference from the Company s Current Report on Form 8-K filed on September 27, 2007.

(9) Incorporated by reference from the Company s Current Report on Form 8-K filed on November 2, 2007.

(10) Incorporated by reference from the Company s Current Report on Form 8-K filed December 21, 2007.

(11) Incorporated by reference from the Company s Current Report on Form 8-K filed on January 16, 2008.

(12) Incorporated by reference from the Company s Current Report on Form 8-K filed on March 31, 2008.

(13) Incorporated by reference from the Company s Current Report on Form 8-K filed on December 23, 2008.

(14) Incorporated by reference from the Company s Current Report on Form 8-K filed on March 10, 2009.

(15) Incorporated by reference from the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2008 filed on March 16, 2009.

Table of Contents

(16) Incorporated by reference from the Company s Current Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 filed on May 11, 2009.

(17) Incorporated by reference from the Company s Current Report on Form 8-K filed on May 20, 2009.

(18) Incorporated by reference from the Company s Current Report on Form 8-K filed on June 30, 2009.

(19) Incorporated by reference from the Company s Current Quarterly Report on Form 10-Q for the quarter ended September 30, 2009 filed on November 9, 2009.

(20) Incorporated by reference from the Company s Current Report on Form 8-K filed on January 7, 2010.

(21) Incorporated by reference from the Company s Current Report on Form 8-K filed on January 15, 2010.

(22) Incorporated by reference from the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on March 15, 2010.

(23) Incorporated by reference from the Company s Current Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 10, 2010.

(24) Incorporated by reference from the Company s Current Report on Form 8-K filed on December 17, 2010.

(25) Incorporated by reference from the Company s Current Report on Form 8-K filed on December 22, 2010.

(26) Incorporated by reference from the Company s Current Report on Form 8-K filed on March 3, 2011.

Filed herewith.

Management compensation plan.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LORAL SPACE & COMMUNICATIONS INC.

By: /s/ MICHAEL B. TARGOFF
Michael B. Targoff
Vice Chairman of the Board,
Chief Executive Officer and President
Dated: March 15, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ MICHAEL B. TARGOFF Michael B. Targoff	Vice Chairman of the Board, Chief Executive Officer and President	March 15, 2011
/s/ MARK H. RACHESKY, M.D. Mark H. Rachesky, M.D.	Director, Non-Executive Chairman of the Board	March 15, 2011
/s/ SAI S. DEVABHAKTUNI Sai S. Devabhaktuni	Director	March 15, 2011
/s/ HAL GOLDSTEIN Hal Goldstein	Director	March 15, 2011
/s/ JOHN D. HARKEY, JR. John D. Harkey, Jr.	Director	March 15, 2011
/s/ ARTHUR L. SIMON Arthur L. Simon	Director	March 15, 2011
/s/ JOHN P. STENBIT John P. Stenbit	Director	March 15, 2011
/s/ HARVEY B. REIN Harvey B. Rein	Senior Vice President and CFO (Principal Financial Officer)	March 15, 2011
/s/ JOHN CAPOGROSSI	Vice President and Controller (Principal Accounting Officer)	March 15, 2011

John Capogrossi

Table of Contents

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

Loral Space & Communications Inc. and Subsidiaries

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Loral Space & Communications Inc.
New York, New York

We have audited the accompanying consolidated balance sheets of Loral Space & Communications Inc. and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. Our audits also included the financial statement schedule listed in the Index at Item 15(a)2. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 15, 2011 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 15, 2011

Table of Contents

LORAL SPACE & COMMUNICATIONS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 165,801	$ 168,205
Contracts-in-process	186,896	190,809
Inventories	71,233	83,671
Deferred tax assets	66,220	4,068
Other current assets	28,927	20,275
Total current assets	519,077	467,028
Property, plant and equipment, net	235,905	207,996
Long-term receivables	319,426	248,097
Investments in affiliates	362,556	282,033
Intangible assets, net	11,110	20,300
Long-term deferred tax assets	294,019	8,647
Other assets	12,816	19,351
Total assets	$ 1,754,909	$ 1,253,452
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 95,952	$ 86,809
Accrued employment costs	52,017	44,341
Customer advances and billings in excess of costs and profits	261,603	291,021
Other current liabilities	30,375	19,147
Total current liabilities	439,947	441,318
Pension and other postretirement liabilities	244,817	226,190
Long-term liabilities	169,196	153,953
Total liabilities	853,960	821,461
Commitments and contingencies		
Equity:		
Loral shareholders equity:		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, no shares issued and outstanding		
Common Stock:		
Voting common stock, $.01 par value; 50,000,000 shares authorized, 20,924,874 and 20,390,752 shares issued and outstanding	209	204
Non-voting common stock, $0.1 par value; 20,000,000 shares authorized, 9,505,673 issued and outstanding	95	95
Paid-in capital	1,028,263	1,013,790
Accumulated deficit	(32,374)	(519,220)
Accumulated other comprehensive loss	(95,873)	(62,878)

Total shareholders equity attributable to Loral	900,320	431,991
Noncontrolling interest	629	
Total equity	900,949	431,991
Total liabilities and equity	$ 1,754,909	$ 1,253,452

See notes to consolidated financial statements.

Table of Contents

LORAL SPACE & COMMUNICATIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,		
	2010	**2009**	**2008**
Revenues	$ 1,158,985	$ 993,400	$ 869,398
Cost of revenues	986,697	880,486	787,758
Selling, general and administrative expenses	84,823	92,703	97,015
Directors indemnification expense	6,857		
Gain on recovery from customer bankruptcy			(9,338)
Impairment of goodwill			187,940
Operating income (loss)	80,608	20,211	(193,977)
Interest and investment income	13,550	8,307	11,857
Interest expense	(3,143)	(1,422)	(2,268)
Gain on litigation, net	5,000		38,823
Impairment of available for sale securities			(5,823)
Other expense	(2,921)	(121)	(135)
Income (loss) before income taxes and equity in net income (losses) of affiliates	93,094	26,975	(151,523)
Income tax benefit (provision)	308,622	(5,571)	(45,744)
Income (loss) before equity in net income (losses) of affiliates	401,716	21,404	(197,267)
Equity in net income (losses) of affiliates	85,625	210,298	(495,649)
Net income (loss)	487,341	231,702	(692,916)
Net income attributable to noncontrolling interest	(495)		
Net income (loss) attributable to Loral	486,846	231,702	(692,916)
Preferred dividends			(24,067)
Net income (loss) attributable to Loral common shareholders	$ 486,846	$ 231,702	$ (716,983)
Net income (loss) per share attributable to Loral common shareholders:			
Basic	$ 16.18	$ 7.79	$ (35.13)
Diluted	$ 15.63	$ 7.73	$ (35.13)
Weighted average common shares outstanding:			
Basic	30,085	29,761	20,407
Diluted	30,887	29,981	20,407

See notes to consolidated financial statements.

Table of Contents

LORAL SPACE & COMMUNICATIONS INC.
CONSOLIDATED STATEMENTS OF EQUITY
(In thousands)

	Series A-1 Convertible Preferred Stock		Series B-1 Convertible Preferred Stock		Common Stock							
	Shares Issued	Amount	Shares Issued	Amount	Voting Shares Issued	Voting Amount	Non-Voting Shares Issued	Non-Voting Amount	Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Equity
nce, ary 1, 2008	142	$ 41,873	901	$ 265,777	20,293	$ 203			$ 663,127	$ (33,939)	$ 36,517		$ 973,
oss r										(692,916)			
rehensive											(83,247)		
prehensive													(776,
nce of s -1 rred stock yment for end	3	822	78	23,427									24,
es ndered to holding					(18)				(338)				(
k based pensation s-1 rred					12				7,621				7,
ends ellation conversion ries-1 rred stock n-voting mon stock		618		4,179									4,
	(145)	(43,313)	(979)	(293,383)			9,506	$ 95	336,601				
rred stock ends										(24,067)			(24,
nce, mber 31,					20,287	203	9,506	95	1,007,011	(750,922)	(46,730)		209,
ncome r										231,702			
rehensive											(16,148)		

prehensive									
me									215,
cise of									
options	74	1			1,403				1,
es									
ndered to									
holding									
	(43)				(1,559)				(1,
k based									
pensation	73	0			6,935				6,
nce,									
mber 31,									
	20,391	204	9,506	95	1,013,790	(519,220)	(62,878)		431,
ncome						486,846		$ 495	
r									
prehensive									
				&nb					