LORAL SPACE & COMMUNICATIONS INC.
Form 10-K
February 29, 2012
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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, 2011

OR

¨ **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 ¨ 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 ¨ 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 ¨

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 þ No ¨

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 ¨

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 þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 ¨ No þ

At February 17, 2012, 21,092,278 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, 2011, 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 $866,457,211

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 ¨

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 22, 2012	Part II, Item 5(d) Part III, Items 11 through 14

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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 leading satellite communica 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, wireless 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, 2011, SS/L had $1.4 billion in backlog for 22 satellites for customers including, among others, Intelsat Global S.A., SES S.A., Telesat Holdings Inc., Hispasat, S.A., EchoStar Corporation, Sirius-XM Satellite Radio, TerreStar Networks, Inc., Asia Satellite Telecommunications Co. Ltd., Hughes Network Systems, LLC, Eutelsat/ictQatar, DIRECTV, SingTel Optus, Satélites Mexicanos, S.A. de C.V., Asia Broadcast Satellite and Telenor Satellite Broadcasting. From January 1, 2012 to February 15, 2012, SS/L was awarded contracts for three satellites, including two satellites for NBN Co. Limited.

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Since SS/L s inception, it has delivered more than 240 satellites, which have achieved more than 1,850 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.

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 be derived from maintaining and expanding its share of satellite construction contract awards 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.

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 its technical capabilities and engineering expertise, perceived product reliability, customer relationships, cost and the ability to meet delivery schedules. Its primary competitors for satellite manufacturing contracts are Boeing and Lockheed Martin in the U.S., Thales Alenia Space and EADS Astrium in Europe and Mitsubishi Electric Corporation in Japan. SS/L also sometimes competes with Orbital Sciences, another U.S. manufacturer, which provides satellites that are generally at the lower end of the power range SS/L offers. 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 18 and 17 contracts awarded in 2011 and 2010, 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 markets, 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,		
	September 30, 2011	September 30, 2010	September 30, 2009
	(In millions)		
Total segment revenues	$ 1,108	$ 1,165	$ 1,008
Eliminations	(1)	(6)	(15)
Revenues from satellite manufacturing as reported	$ 1,107	$ 1,159	$ 993
Segment Adjusted EBITDA before eliminations	$ 138	$ 143	$ 91

(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 16 to the Loral consolidated financial statements for the definition of Adjusted EBITDA).

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Total SS/L assets, located primarily in California, were $929 million, $921 million and $864 million as of December 31, 2011, 2010 and 2009, respectively. The increase between 2009 and 2010 was primarily due to growth in gross orbital receivables of $71 million. Backlog at December 31, 2011 was $1.4 billion. This included $69 million of backlog for the construction of Nimiq 6 and Anik G1 for Telesat. Backlog at December 31, 2010 was $1.6 billion. This included $219 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 62% of the backlog as of December 31, 2011, will be recognized as revenues during 2012. During 2011, revenues from Telesat Holdings Inc., Intelsat Global S.A. and Hispasat, S.A. were each individually greater than 10% of our total revenues.

Satellite Services

As of December 31, 2011, Telesat had 12 in-orbit satellites and two satellites under construction, one of which is 100% leased to a customer for at least the design life of the satellite. In addition, Telesat owns the Canadian Ka-band payload on the ViaSat-1 satellite which was launched in October 2011. Telesat provides video distribution and DTH video, as well as end-to-end communications services using both satellite and hybrid satellite-ground networks.

Telesat Services

Telesat earns the majority of its revenues by providing satellite-based services to customers, who use these services for their own communications requirements or to provide services to customers further down the distribution chain for video and data services. Telesat also earns revenue by providing ground-based transmit and receive services, selling equipment, installing, managing and maintaining satellite networks, and providing consulting services in the field of satellite communications. Telesat categorizes its revenues into: Broadcast, Enterprise Services and Consulting & Other.

Broadcast

Telesat s broadcast services business provided approximately 54% of its revenue for the year ended December 31, 2011. These services included:

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 and Contribution. Major broadcasters, cable networks and DTH service providers use Telesat satellites for the full-time transmission of television programming. Additionally, Telesat provides certain broadcasters and DTH service providers bundled 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 in 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 14R/Estrela do Sul 2.

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 antennas.

Enterprise Services

Telesat s enterprise services provided approximately 42% of its revenue for the year ended December 31, 2011. These services include:

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. For other customers, Telesat may provide 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.

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International Enterprise Networks. Telesat s global IP-based network service infrastructure allows it to provide worldwide IP-based terrestrial extension services that permit enterprises to reach all of their locations worldwide many of which cannot be connected via terrestrial means. In addition, these managed service solutions enable multi-cast and broadcast functionality, as with traditional video broadcast distribution, which take 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 both through terrestrial partners and directly.

Ka-band Internet Services. Telesat provides Ka-band satellite capacity to Xplornet Communications Inc. and other resellers in Canada who use it to provide two-way broadband Internet services in Canada. Telesat also provides Ka-band satellite capacity to WildBlue, which uses it to provide similar services in the United States.

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 GSM backhaul in developing countries that lack terrestrial infrastructure and for maritime and aeronautical sectors where the need to stay connected cannot be met by terrestrial networks.

Government Services. The U.S. 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 U.S. government agencies. Telesat is also a significant provider of satellite services to the Canadian Government.

Consulting & Other

Telesat s consulting & other category provided approximately 4% of its revenues for the year ended December 31, 2011. Telesat s consulting operations allow it to realize operating efficiencies by leveraging Telesat s existing employees and the facility base dedicated to its core satellite communication business. 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 40 countries across six continents. In 2011, the international consulting business provided satellite-related services in approximately 21 countries.

Competitive Strengths

Telesat s business is characterized by the following key competitive strengths:

Leading Global FSS Operator

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 approximately 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 14R/Estrela do Sul 2 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.

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Blue Chip Customer Base

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 Telesat s services, which enhances the predictability of its future revenues and cash flows and supports its future growth.

Large Contracted Backlog and Young Satellite Fleet Underpin Anticipated Growth and High Revenue Visibility

Historically, Telesat has been able to generate strong cash flows from its operating activities due to the high operating margins in the satellite industry and its disciplined control of expenses. The stability of Telesat s cash flows is underpinned by its large revenue backlog. Telesat has been able to generate significant backlog by entering into long-term contracts with its customers, in some cases for all or substantially all of a satellite s orbital maneuver life.

This revenue backlog supports Telesat s anticipated growth. A significant proportion of Telesat s expected revenue growth is based on currently contracted business with its DTH provider customers for satellites in orbit and satellites that will be launched in the coming years. In addition to this backlog, Telesat has historically experienced a high proportion of contract renewals with existing customers. Together, these two factors have produced ongoing, stable cash flows.

The high quality and young age of Telesat s satellite fleet also positively impact Telesat s cash flows as it manages capital expenditures. Two additional satellites, Nimiq 6 and Anik G1, are presently under construction.

Portfolio of Orbital Real Estate

Telesat s satellites occupy attractive orbital locations that provide it with a leading position in many of the markets in which it operates due to the scarcity of available satellite spectrum and the strong neighborhoods Telesat has developed at these locations. Telesat is licensed by Industry Canada to occupy a number of key orbital positions that are well-suited to serve the Americas and maintain its leading position in North America. Telesat s international satellites also occupy highly desirable orbital locations that enable broad pan-regional service with interconnectivity between regions, making them attractive for both intra- and inter-regional services. Telesat has rights to additional spectrum, including Ka-band and reverse DBS band at certain existing orbital locations, including existing DBS locations.

Global Operations Provides Revenue Diversification and Economies of Scale

The combination of Telesat s North American broadcast and enterprise services businesses and the company s international business offers diversity in terms of both the customers and regions served as well as the services provided. Telesat continues to benefit from growth in both the broadcast and enterprise services markets, including government services, due to its strong presence in each. Telesat s global satellite footprint allows it to meet the global requirements of broadcasters, carriers and government users around the world.

Moreover, as the operator of a fleet of 12 satellites plus multiple other satellites for third parties, Telesat has attained scale that allows it to effectively leverage its relatively fixed cost base to achieve substantial operating margins.

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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.

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 50 satellites, that SES and its subsidiaries have a fleet of approximately 50 satellites, and that Eutelsat and its subsidiaries have a fleet of over 20 satellites and additional capacity on another four 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, RSCC, Yahsat, 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.

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 January 2012, approximately 75 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 Avanti Communications, O3b, ViaSat/WildBlue, Eutelsat, HNS/EchoStar, Inmarsat, 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.

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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.

Ka-band Satellites

Today s high-throughput Ka-band satellites have the potential to provide competitive alternatives to certain satellite services.

Satellite Fleet & Ground Resources

As of December 31, 2011, Telesat had 12 in-orbit satellites and two satellites under construction, one of which is 100% leased to a customer for at least the design life of the satellite. In addition, Telesat owns the Canadian Ka-band payload on the ViaSat-1 satellite which was launched in October 2011.

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. Telesat s primary satellite control center (SCC) is located at its headquarters in Ottawa, Ontario, with a second SCC located in Allan Park, Ontario. A third SCC, in Rio de Janeiro, Brazil is used to operate Telstar 14R/Estrela do Sul 2. 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 FSS satellites (Anik F1R, Anik F2 and Anik F3), plus the Canadian beams on ViaSat-1 and four direct broadcast services (DBS) satellites (Nimiq 1, Nimiq 2, Nimiq 4 and Nimiq 5). Telesat s international fleet is comprised of five FSS satellites (Anik F1, Telstar 11N, Telstar 12, Telstar 14R/Estrela do Sul 2 and Telstar 18).

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The table below summarizes selected data relating to Telesat s owned in-orbit satellites as of December 31, 2011:

	Sept 30, Orbital Location	Sept 30,	Sept 30, Manufacturer s	Sept 30, Expected End-of-	Sept 30,	Sept 30,	Sept 30,	Sept 30,	Sept 30,
	Regions Covered	Launch Date	End-of-Service Life	Orbital Maneuver Life [1]	Transponders C-band[2]	Ku-band[2]	Ka-band	L-band[3]	Model
Nimiq 1	91.1°WL Canada, Continental United States	May 1999	2011	2024	No	Yes	No	No	A2100 AX (Lockheed Martin)
Nimiq 2	91.1°WL Canada, Continental United States	December 2002	2015	2021	No	Yes	Yes	No	A2100 AX (Lockheed Martin)
Nimiq 4	82° WL Canada	September 2008	2023	2027	No	Yes	Yes	No	E3000 (EADS Astrium)
Nimiq 5	72.7° WL Canada, Continental United States	September 2009	2024	2035	No	Yes	No	No	SS/L 1300
Anik F1	107.3°WL South America	November 2000	2016	2022	Yes	Yes	No	No	BSS702 (Boeing)
Anik F2	111.1° WL Canada, Continental United States	July 2004	2019	2027	Yes	Yes	Yes	No	BSS702 (Boeing)
Anik F1R[3]	107.3° WL North America	September 2005	2020	2023	Yes	Yes	No	Yes	E3000 (EADS Astrium)
Anik F3	118.7°WL Canada, Continental United States	April 2007	2022	2026	Yes	Yes	Yes	No	E3000 (EADS Astrium)
Telstar 11N	37.55° WL North and Central America, Europe, Africa and the maritime Atlantic Ocean region	February 2009	2024	2026	No	Yes	No	No	SS/L 1300
Telstar 12[4]	15°WL Eastern United States, SE Canada, Europe, Russia, Middle East, South Africa, portions of South and Central America	October 1999	2012	2016	No	Yes	No	No	SS/L 1300
Telstar 14R/Estrela do Sul 2[5]	63°WL Brazil And portions of Latin America, North America, Atlantic Ocean	May 2011	2026	2024	No	Yes	No	No	SS/L 1300
Telstar 18[6][7]	138° EL India, South East Asia, China, Australia And Hawaii	June 2004	2017	2018	Yes	Yes	No	No	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 prior to the end of commercial service life, 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) Four of Telstar 12 s transponders are leased to Eutelsat to settle coordination issues, and Telesat leases back three of these transponders.

(5) Telstar 14R/Estrela do Sul 2 experienced a solar array anomaly upon deployment.

(6) 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.

(7) The satellite carries additional transponders (the APT transponders), 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.

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

Satmex 5: Three 36MHz Ku-band transponders;

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

ABS-3 (Formerly Agila 2): Two 36MHz C-band transponders and five and one half 36 MHz Ku-band transponders; and

ViaSat-1: Ka-band Canadian payload consisting of nine user beams of 500/1000 MHz bandwidth

As of December 31, 2011, Telesat had entered into contractual arrangements with SS/L for the construction of:

Nimiq 6: which Telesat anticipates will be launched in the first half of 2012. Nimiq 6 will have 32 high powered Ku-band transponders, and Bell TV has contracted for the use of this new satellite for its lifetime to serve Bell TV subscribers across Canada. This satellite will be located at the 91.1º WL orbital location and provide coverage of Canada; and

Anik G1: which Telesat anticipates will be launched in the second half of 2012. Anik G1 s 16 extended Ku-band transponders have been contracted to Shaw Direct to support Shaw s DTH services in Canada, and its three X-band transponders have been contracted to Paradigm Services, in both cases for the life of the satellite. Anik G1 will be co-located with Telesat s Anik F1 satellite at the 107.3º WL orbital location, doubling both the Ku-band and C-band transponders serving South America from this location.

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.

On October 31, 2007, Loral and its Canadian partner, Public Sector Pension Investment Board (PSP), through Telesat Holdco, a then 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 7 to the Loral consolidated financial statements). We use the equity method of accounting for our investment in Telesat Holdco.

	September 30, 2011	September 30, 2010	September 30, 2009
	Year ended December 31, (In millions)		
Revenue:			
Total segment revenues	$ 817	$ 797	$ 692
Affiliate eliminations[(2)]	(817)	(797)	(692)
Revenues from satellite services as reported	$	$	$
Adjusted EBITDA:			

Total segment Adjusted EBITDA	$ 629	$ 607	$ 488
Affiliate eliminations[2]	(629)	(607)	(488)
Adjusted EBITDA from satellite services after eliminations	$	$	$

(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 16 to the consolidated financial statements for the definition of Adjusted EBITDA).

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

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Total Telesat assets were $5.3 billion, $5.3 billion and $5.0 billion as of December 31, 2011, 2010 and 2009, respectively. Backlog was approximately $5.3 billion and $5.5 billion as of December 31, 2011 and 2010, respectively. The decrease in backlog is due to revenues recognized and exchange rate changes, partially offset by new orders. It is expected that approximately 11% of the backlog at December 31, 2011 will be recognized as revenue in 2012.

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 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 29º 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 7 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 (ITAR). 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.

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.

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Satellite Services

As an operator of a global satellite system, Telesat is subject to regulation by government authorities in Canada, the United States and other countries in which it operates and is subject to the frequency and orbital location 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 including as it applies to securing landing rights and licensing requirements.

Canadian Regulatory Environment

Telesat was 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 Canadian government sold its shares in Telesat Canada. The Telesat Divestiture Act provides that no legislation relating to the solvency or winding-up of a corporation applies to Telesat Canada 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.

Telesat is a Canadian carrier under the Telecommunications Act (Canada), or the Telecommunications Act. The Telecommunications Act authorizes the Canadian Radio-Television and Telecommunications Commission (CRTC) to regulate various aspects of the provision of telecommunications services by Telesat and other telecommunications service providers. Under the current regulatory regime, Telesat has pricing flexibility subject to a price ceiling on certain full period FSS services offered in Canada under minimum five-year arrangements, and otherwise Telesat is not required to file tariffs for approvals. 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. The exercise by the CRTC of its rights under section 28(2) of the Telecommunications Act could affect Telesat s relationship with existing customers, which could have a material adverse effect on Telesat s results of operations, business prospects and financial condition.

Telesat s operations are also subject to regulation and licensing by Industry Canada pursuant to the Radiocommunication 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 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 satellite operators as part of its 1998 World Trade Organization (WTO) commitments to liberalize trade in basic telecommunications services, with the exception of DTH television services provided through FSS or DBS facilities. Satellite digital audio radio service markets were also closed to foreign entry until 2005. 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.

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Since November 2000, pursuant to the CRTC s Decision CRTC 2000-745, virtually all telecommunications service providers are required to pay contribution charges based on their Canadian telecommunications service revenues, minus certain deductions (e.g., retail Internet and paging revenues, terminal equipment sales and inter-carrier payments). The contribution rate varies from year to year. It was initially set at 4.5% of eligible revenues but was significantly reduced in subsequent years. The rate for 2011 was 0.66%.

United States Regulatory Environment

The Federal Communications Commission (FCC) regulates the provision of satellite services to, from, or within the United States.

Telesat has chosen to operate its U.S.-authorized satellites on a non-common carrier basis. Consequently, it is not subject to rate regulation or other common carrier regulations enacted under the 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 contribution charges to the FCC s Universal Service Fund (USF) based on eligible United States telecom revenues are paid on a quarterly and annual basis. The USF contribution rate is adjusted quarterly and is currently set at 17.9% for the first quarter of 2012. At the present time, the FCC does not assess USF contributions with respect to bare transponder capacity (i.e. agreements for space segment only). Telesat s United States telecom revenues that are USF eligible are currently *de minimis* and USF payments are not required.

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 that the public interest will be served by the grant. 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 a failure to meet any of the milestones for satellite contracting, design, construction, launch and commencement of operations. According to 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.

To facilitate the provision of FSS satellite services in C-, Ku- and Ka-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 FlR, Anik F2, Anik F3 and Telstar 14R/Estrela do Sul 2 satellites are currently on this list. Telstar 14/Estrela do Sul 1 was on the FCC s Permitted Space Station List until November 7, 2011 when it was removed from regular operation prior to it being deorbited on November 17, 2011.

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. In cases involving Telesat, 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.

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The export of United States-manufactured satellites and technical information related to satellites, earth station equipment and provision of services to certain countries are subject to State Department, Commerce Department and Treasury Department regulations.

In 1999, the United States State Department published amendments to ITAR which included satellites on the list of items requiring export licenses. These provisions have limited Telesat s access to technical information and have had a negative impact on Telesat s international consulting revenues.

If Telesat does not maintain its existing authorizations or obtain necessary future authorizations under the export control laws and regulations of the United States, Telesat may be unable to export technical information or equipment to non-U.S. persons and companies, including to its own non-U.S. employees, as required to fulfill existing contracts. If Telesat does not maintain its existing authorizations or obtain necessary future authorizations under the trade sanctions laws and regulations of the United States, Telesat may not be able to provide satellite capacity and related administrative services to certain countries subject to U.S. sanctions. Telesat s ability to acquire new United States-manufactured satellites, procure launch services and launch new satellites, operate existing satellites, obtain insurance and pursue its rights under insurance policies or conduct its satellite-related operations and consulting activities could also be negatively affected if Telesat and its suppliers are not able to obtain and maintain required U.S. export authorizations.

Regulation Outside Canada and the United States

The Brazilian national telecommunications agency, ANATEL, has authorized Telesat, through its subsidiary, Telesat Brasil Capacidade de Satélites 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 bandwidth to serve only Brazil until May 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 the Tonga 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.

Telesat owns and operates the portion of the ViaSat-1 satellite (115° WL) payload that is capable of providing service within Canada. ViaSat-1 operates in accordance with a license granted by the United Kingdom regulatory agency (OFCOM), to ManSat Limited. ManSat Limited has been granted exclusive rights by the Isle of Man government to manage all aspects of Isle of Man satellite orbital filings. The Isle of Man is a British Crown Dependency and Isle of Man satellite orbital filings are filed with the ITU-BR by OFCOM. Both Telesat and ViaSat have a commercial relationship with ManSat. ViaSat and Telesat have agreed to cooperate in their dealings with ManSat with respect to the ViaSat-1 satellite for OFCOM and ITU purposes.

Landing Rights and Other Regulatory Requirements

In addition to regulatory requirements governing the use of orbital locations, most countries regulate transmission signals to, and for uplink signals from, their territory. Telesat has landing rights in more than 140 countries worldwide. In many jurisdictions, landing rights are granted on a per satellite basis and applications must be made to secure landing rights on replacement satellites.

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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 secure rights to use orbital locations and the obligations and restrictions that govern such use. The process includes, for example, a first in time, first in right system for allocating most orbital locations and time limits for bringing orbital locations into use.

The Canadian, United States and other governments have rights to use certain orbital locations and frequencies. Telesat has been authorized to use certain orbital locations and frequencies in addition to those used by its current satellites. Under the ITU Radio Regulations, the filing government (through the satellite operator the government in question has authorized) must begin using these orbital locations and frequencies within a fixed period of time, or lose their priority rights. As a result, the orbital location and frequencies likely would become available for use by another government and satellite operator.

The ITU Radio Regulations also govern the process used by satellite operators to coordinate their operations with other satellites, so as to avoid harmful interference. Each member state is required to give notice of, coordinate, and register its proposed use of radiofrequency assignments and associated orbital locations with the ITU Radiocommunications Bureau (the ITU-BR).

Once a member state has filed with the ITU-BR its proposed use of 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 notify the ITU-BR that coordination has been successfully completed, which is a requirement for the frequency use to be entered into the ITU s Master Register (MIFR). 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 process.

Under the ITU Radio Regulations, a country that places a satellite or any ground station into operation without completing coordination and notification would be vulnerable to interference from other systems and might have to alter the operating parameters of its satellite network if the ITU found that the satellite caused harmful interference to other users already entered in the MIFR or with a network that had been earlier-filed with the ITU-BR.

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. In some of the cases where entry into the MIFR is pending, there are operators that maintain that they have priority over Telesat s satellites and Telesat continues to discuss coordination issues with these and other operators and may need to make additional concessions in connection with future coordination efforts which, in turn, could have a material adverse impact on Telesat s financial condition, as well as on the value of Telesat s business. The failure to reach an appropriate arrangement with such satellite operators may render it impossible to secure entry into the MIFR and result in substantial restrictions on the use and operations of Telesat s existing satellites at their orbital locations. In the event disputes arise during the coordination process or thereafter, the ITU Radio Regulations set forth procedures for resolving disputes but 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.

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, the United Kingdom and the Kingdom of Tonga to represent its interests in those jurisdictions, including filing and coordinating Telesat s orbital locations within the ITU process and 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.

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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 164 patents in the United States and has applications for 31 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 2012 and 2029.

Satellite Services

As of December 31, 2011, Telesat had seven patents, all in the United States. These patents expire between 2018 and 2027. Telesat also has several pending domestic and international patent applications.

General

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 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 may infringe. In such event, we may be restricted from continuing the infringing activities, which could adversely affect our business, or we may be required to obtain a license from a patent holder, and pay royalties, which would increase the cost of doing business. Moreover, in the case of SS/L, it may 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. See Item 1A Segment Risk Factors 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.

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 $34 million for 2011, $20 million for 2010 and $23 million for 2009 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 support 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.

FOREIGN OPERATIONS

Loral s revenues from foreign customers, primarily in Europe, Canada and Asia represented 64%, 44% and 46% of our consolidated revenues for the years ended December 31, 2011, 2010 and 2009, respectively.

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Satellite Manufacturing

SS/L s revenues from foreign customers, primarily in Europe, Canada and Asia represented 64%, 44% and 46% of SS/L revenues for the years ended December 31, 2011, 2010 and 2009, respectively. As of December 31, 2011, 2010 and 2009, 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 16 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 69% of its consolidated revenues for the year ended December 31, 2011 and 68% of its consolidated revenues for each of the years ended December 31, 2010 and 2009. At December 31, 2011, 2010 and 2009 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

Satellite Manufacturing

As of December 31, 2011, Loral had approximately 2,900 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.

Satellite Services

As of December 31, 2011, Telesat and its subsidiaries had approximately 470 full and part time employees, approximately 2.5% of whom are subject to collective bargaining agreements. Telesat s employee body is primarily comprised of professional engineering, sales and marketing staff, administrative staff and skilled technical workers. Telesat considers its employee relations to be good.

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.

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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. On December 8, 2011, this agreement was amended to increase the Letter of Credit Commitment to $100 million from $50 million. 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.

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.

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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. During 2011, Telesat made two quarterly cash payments, each in the amount of $1.25 million plus interest, on June 30, 2011 and September 30, 2011. It is uncertain at this time whether Telesat will be permitted to pay the management fee in 2012.

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 2011. 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.

In connection with our assignment in March 2011 to Telesat of our interest in the Canadian payload on the Viasat-1 satellite, Telesat agreed that, if it obtains certain supplemental capacity on the payload, Loral will be entitled to receive one-half of any net revenue actually earned by Telesat in connection with the leasing of such supplemental capacity to its customers during the first four years after the commencement of service using the supplemental capacity. There can be no assurance that Loral will receive any revenues under this agreement.

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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 in Telesat, we hold only $33^{1}/_{3}$% of its voting interests. Although the restrictions on foreign ownership of Canadian satellites have 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, 2011, 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 1.0213. 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, 2011, 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 to October 2014 the maturity of the existing CAD 630 million floating to fixed interest rate swaps and entered into an additional delayed-start floating to fixed CAD 300 million interest rate swap maturing in October 2014. Telsat s use of hedges, however, may not be successful and does not fully protect it from foreign exchange risk with respect to all of its indebtedness. Also, Telesat is exposed to risk, including credit risk resulting from many of the transactions its executes in connection with its hedging activities, in the event that any of its lenders or counterparties, including its insurance providers, are unable to honor their commitments or otherwise default under their agreements with Telesat.

Telesat s indebtedness includes $1.7 billion that is denominated in U.S. dollars and is unhedged with respect to foreign exchange rates. Changes in exchange rates impact the amount that Telesat pays in interest and may significantly increase the amount that Telesat is required to pay in Canadian dollar terms to redeem the indebtedness either at maturity, or earlier if redemption rights are exercised or other events occur which require Telesat to offer to purchase the indebtedness prior to maturity, and to repay funds drawn under its US-dollar denominated facility. 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.

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If Telesat is unable to repay or refinance 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 and market conditions. Disruptions in the financial markets similar to those that occurred in 2008 could make it more difficult to renew or extend Telesat s facilities at current commitment levels on similar terms or at all. In the event that Telesat is not able to service or refinance 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.

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 unaudited 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 unaudited 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. Telesat s main currency exposures as at December 31, 2011 lies in its U.S. dollar denominated cash and cash equivalents, accounts receivable, accounts payable and debt financing. As of December 31, 2011, a five percent increase (decrease) in the Canadian dollar against the U.S. dollar would have increased (decreased) Telesat s net income and increased (decreased) other comprehensive loss by approximately CAD 158 million and CAD 1 million, respectively. This analysis assumes that all other variables, in particular interest rates, remain constant.

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. During 2011, the exchange rate moved from US$1.00/CAD 0.9980 at December 31, 2010 to US$1.00/CAD 1.0213 at December 31, 2011.

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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 2011 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. 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, 2011, $4 million was due to Loral from XTAR.

We have explored and are continuing to explore various strategic transactions; this process may have an adverse effect on our financial condition and results of operations whether or not a transaction is ultimately consummated.

We have previously explored and are currently considering certain potential strategic transactions, including a recapitalization with respect to Telesat and a strategic transaction involving SS/L. In the future, we may pursue these or other strategic alternatives with the goal of maximizing shareholder value. The process of pursuing a strategic transaction will result in transaction costs and may result in the diversion of the attention of operating management of Telesat and/or SS/L from business operations, the disclosure of confidential information to competitors or potential customers as part of a due diligence process and an adverse perception of Telesat or SS/L in the marketplace which could, among other things, adversely affect their ability to win new business. Any of such results could have a material adverse effect on our financial condition and results of operations whether or not a strategic transaction is consummated. In addition, consummation of a recapitalization could leave Telesat highly leveraged, with the risks attendant to operating a highly leveraged entity, and a strategic transaction involving SS/L may expose us to various liabilities, including indemnification claims and the risk of ongoing litigation. Potential claims arising out of a strategic transaction involving SS/L could impair the price at which a change of control transaction involving Loral could occur. There can be no assurance whether or when any transaction involving Loral, Telesat or SS/L will occur, and, even if a transaction is consummated, there can be no assurance as to whether or to what degree such a transaction will be successful in maximizing value to our shareholders.

As part of our business strategy, we may complete acquisitions or dispositions, 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, dispositions, 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.

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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 customer contracts 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.

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. For example, in May 2011, following the launch of Telstar 14R/Estrela do Sul2 (T14R), the satellite s north solar array failed to fully deploy resulting in a loss of power and reduced mission life. As a result of the failure, SS/L recorded a charge of approximately $8.5 million for lost orbital incentives that would otherwise have been payable with respect to T14R.

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.

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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. Failures with respect to any satellite may adversely affect our customers perception of the quality of our satellites and may materially and adversely affect our ability to win new awards of satellite construction contracts.

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-seven 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 such transponders 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.

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 fail to 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.

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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, results of operations and financial condition.

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.

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 as to whether the satellite meets its technical performance specifications or, if such a dispute did 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, certain of SS/L s customers, including most recently TerreStar Networks Inc. (TerreStar), have in the past filed for protection under Chapter 11 of the Bankruptcy Code. In the event that any of our customers encounter financial difficulties and fail to pay us, our cash flows and liquidity may be materially and adversely affected. We may not be able to mitigate these effects because we manufacture satellites to each customer s specifications and generally purchase material in response to a particular customer order.

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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 2011. 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 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. Due to scheduling requirements, however, 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 .

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SS/L s ability to obtain certain satellite construction contracts depends, in part, on its ability to restrict certain of its cash or available credit to support at risk financial requirements that customers may require in their contracts.

In the past, SS/L has provided letters of credit, established escrow accounts or provided performance guarantees or surety bonds that required cash collateral to meet the contractual terms that certain customers have required in their satellite construction contracts. These requirements have restricted the amount of cash or credit available for use by SS/L in its operations. At December 31, 2011, SS/L had $24 million in restricted cash in an escrow account established in connection with a contractual requirement of one of its satellite construction contracts. Under this contract, the amount to be placed in escrow is scheduled to increase by an additional $12 million before the escrow is released upon delivery of the satellite in 2013. In addition, in 2012, SS/L entered into a satellite construction contract that required a financial guarantee in the form of a performance bond in immediately available funds. To fulfill this financial guarantee, SS/L placed $50 million into a restricted cash account to support the performance guarantee. Although SS/L will seek to reduce or eliminate the cash collateral supporting this performance guarantee or find a replacement guarantee that has reduced or no collateral requirements, there is no assurance that SS/L will be able to achieve this goal. Also, although funds on deposit in these restricted cash accounts earn interest which accrues to SS/L, SS/L s liquidity needs to support its operations limit the amount of cash SS/L can set aside to support these types of contractual requirements. If SS/L does not meet its financial projections, it may not have sufficient liquidity to support future surety bonds or similar forms of assurance. Moreover, if SS/L is unable to provide escrow, performance guarantee or other similar arrangements in the future, it could lose future satellite construction contracts to a competitor or competitors that are able to meet these types of financial arrangements or for whom such types of arrangements are not required by the customer. 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.

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, 2011, approximately 64% 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.

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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 below 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, 2011, SS/L held 164 patents in the United States and had applications for 31 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 2012 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, 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 or methods. SS/L may also be required under the terms of its customer contracts to indemnify its customers for damages relating to infringement.

For example, ViaSat, Inc. and ViaSat Communications, Inc. (formerly known as WildBlue Communications, Inc.) (collectively, ViaSat) have commenced a lawsuit in the United States District Court for the Southern District of California against SS/L and Loral alleging, among other things, that SS/L and Loral infringed certain ViaSat patents and that SS/L breached non-disclosure obligations in certain contracts with ViaSat in connection with the manufacture of satellites by SS/L for customers other than ViaSat. The complaint also seeks to hold Loral liable for SS/L s alleged infringement and breach of contract. The complaint seeks, among other things, damages (including treble damages with respect to the patent infringement claims) in amounts to be determined at trial and to enjoin SS/L and Loral from further infringement of the ViaSat patents and breach of contract. Although SS/L and Loral intend to engage in discussions with ViaSat to resolve the matter, there can be no assurance that the parties will resolve the matter. If the parties are not able to resolve the matter through discussions and the matter proceeds to trial, SS/L and Loral believe that they each have, and intend to vigorously pursue, meritorious defenses and counterclaims to ViaSat s claims. There can be no assurance, however, that SS/L s and Loral s defenses and counterclaims will be successful with respect to all or some of ViaSat s claims. If SS/L and Loral do not prevail and ViaSat s patents are valid, SS/L and Loral could be enjoined from using the technology underlying ViaSat s

patents and may be required to refrain from using such technology, to take a license from ViaSat under ViaSat s patents or to design around ViaSat s patents for existing or future customers. SS/L and Loral could also be subject to significant damages and indemnification obligations with respect to customers whose satellites employ such technology which could have a material adverse effect on our and SS/L s business, financial position or results of operations.

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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, we purchase 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, 2011, approximately 64% 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 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.

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.

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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 may, from time to time explore strategic alternatives, such as an initial public offering or sale. It is possible that, as a result, a transaction may occur such that SS/L ceases to be an affiliate of Telesat, which could adversely affect SS/L s ability to obtain future satellite construction orders from Telesat.

Risk Factors Associated With Satellite Services

Telesat derives a substantial amount of its revenues 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 s future revenues and contracted backlog.

For the year ended December 31, 2011, Telesat s top five customers together accounted for approximately 51% of its revenues. At December 31, 2011, Telesat s top five backlog customers together accounted for approximately 87% of its backlog. If any of Telesat s major customers chose to not renew its contract or 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, some of Telesat s customers industries are undergoing significant consolidation, and Telesat s customers may be acquired by other companies, including by Telesat s competitors. Such acquisitions could adversely affect Telesat s ability to sell services to such customers and to any end-users whom they serve.

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The actual orbital maneuver lives of Telesat s satellites may be shorter than Telesat anticipates and Telesat may be required to reduce available capacity on its satellites prior to the end of their orbital maneuver lives.

Telesat anticipates that its satellites will have the end of orbital maneuver life described above in Item1-Business. For all but one of Telesat s satellites, the expected end-of orbital maneuver life date goes beyond the manufacturer s end-of-service life date. A number of factors will affect the actual commercial service lives of Telesat s satellites, including:

- the amount of propellant used in maintaining the satellite s orbital location or relocating the satellite to a new orbital location (and, for newly-launched satellites, the amount of propellant used during orbit raising following launch);
- the durability and quality of their construction;
- the performance of their components;
- conditions in space such as solar flares and space debris;
- operational considerations, including operational failures and other anomalies; and
- changes in technology which may make all or a portion of Telesat s satellite fleet obsolete.

Telesat has been forced to prematurely remove satellites from service in the past due to an unexpected reduction in their previously anticipated end-of-orbital maneuver life. It is possible that the actual orbital maneuver lives of one or more of Telesat s existing satellites may also be shorter than originally anticipated. Further, on some of Telesat s satellites it is anticipated that the total payload capacity may need to be reduced prior to the satellite reaching its end-of-orbital maneuver life. Telesat periodically reviews expected orbital maneuver lives of each of its satellites using current engineering data. A reduction in the orbital maneuver life of any of Telesat s satellites could result in a reduction of the revenues generated by that satellite, the recognition of an impairment loss and an acceleration of capital expenditures. To the extent Telesat is required to reduce payload capacity prior to the end of a satellite s orbital maneuver life, its revenues from the satellite would be reduced.

Telesat s satellite launches may be delayed, it may suffer launch failures or its satellites may fail to reach their planned orbital locations. Any such issue could result in the loss of a satellite or cause significant delays in the deployment of the satellite which could have a material adverse effect on Telesat s results of operations, business prospects and financial condition.

Delays in launching satellites are not uncommon and result from construction delays, the unavailability of reliable launch opportunities with suppliers, delays in obtaining required regulatory approvals and launch failures. If satellite construction schedules are not met, a launch opportunity may not be available at the time the satellite is ready to be launched. Satellites are also subject to certain risks related to failed launches. Launch vehicles may fail. Launch failures result in significant delays in the deployment of satellites because of the need to construct replacement satellites, which typically takes up to 30 months or longer, and to obtain another launch vehicle. A delay or perceived delay in launching a satellite, or replacing a satellite, may cause Telesat s current customers to move to another satellite provider if they determine that the delay may cause an interruption in continuous service. In addition, Telesat s contracts with customers who purchase or reserve satellite capacity may allow the customers to terminate their contracts in the event of a delay. Any such termination would require Telesat to refund any prepayment it may have received, and would result in a reduction in Telesat s contracted backlog and would delay or prevent Telesat from securing the commercial benefits of the new satellite. The launch vehicle scheduled to be used by Telesat to launch Nimiq 6 and Anik G1 has experienced launch failures in the past when used to launch satellites of other operators. Launch vehicles may also underperform, in which case the satellite may be lost or, if it can be placed into service by using its onboard propulsion systems to reach the desired orbital location, will have a shorter useful life. Certain of Telesat s satellites are nearing their expected end-of-orbital maneuver lives. Any launch failure, underperformance, delay or perceived delay could 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.

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Telesat s in-orbit satellites may fail to operate as expected due to operational anomalies resulting in lost revenues, increased costs and/or termination of contracts.

Satellites utilize highly complex technology and operate in the harsh environment of space and therefore are subject to significant operational risks while in orbit. The risks include in-orbit equipment failures, malfunctions and other kinds of problems commonly referred to as anomalies. Satellite anomalies include, for example, circuit failures, transponder failures, solar array failures, telemetry transmitter failures, battery cell and other power system failures, satellite control system failures and propulsion system failures. Some of Telesat s satellites have had malfunctions and other anomalies in the past. Acts of war, terrorism, magnetic, electrostatic or solar storms, space debris, satellite conjunctions or micrometeoroids could also damage Telesat s satellites.

Despite working closely with satellite manufacturers to determine the causes of anomalies and mitigate them in new satellites and to provide for intrasatellite redundancies for certain critical components to minimize or eliminate service disruptions in the event of failure, anomalies are likely to be experienced in the future, whether due to the types of anomalies described above or arising from the failure of other systems or components, and intrasatellite redundancy may not be available upon the occurrence of such anomalies. Telesat cannot assure you that, in these cases, it will be possible to restore normal operations. Where service cannot be restored, the failure could cause the satellite to have less capacity available for sale, to suffer performance degradation, or to cease operating prematurely, either in whole or in part. For example, if the damaged solar array on Telstar 14R/Estrela do Sul 2 were to unexpectedly deploy in the future, this could result in a loss of capability to provide service.

Any single anomaly or series of anomalies or other failure (whether full or partial) of any of Telesat s satellites could cause Telesat s revenues, cash flows and backlog to decline materially, could require Telesat to repay prepayments made by customers of the affected satellite and could have a material adverse effect on Telesat s relationships with current customers and its ability to attract new customers for satellite services. A failure could result in a customer terminating its contract for service on the affected satellite. In the event we are unable to provide alternate capacity to an affected customer, such customer may decide to procure all or a portion of its future satellite services from an alternate supplier or such customer s business may be so adversely affected by the satellite failure that it may not have the financial ability to procure future satellite services. In addition, an anomaly that has a material adverse effect on a satellite s overall performance or expected orbital maneuver life could require us to recognize an impairment loss, which in turn would adversely affect us. It may also require Telesat to expedite its planned replacement program, adversely affecting its profitability and increasing its financing needs and limiting the availability of funds for other business purposes. Finally, the occurrence of anomalies may adversely affect Telesat s ability to insure satellites at commercially reasonable premiums, if at all, and may cause insurers to demand additional exclusions in policies they issue.

Telesat s insurance will not protect it against all satellite-related losses. Further, Telesat may not be able to renew insurance on its existing satellites or obtain insurance on future satellites on acceptable terms or at all.

Telesat s current satellite insurance does not protect it against all satellite-related losses that it may experience, and it does not have in-orbit insurance coverage for all of the satellites in its fleet. As of December 31, 2011, the total net book value of our four in-orbit satellites for which we do not have insurance is approximately CAD 85 million. Telesat s insurance does not protect it against business interruption, loss of revenues or delay of revenues. In addition, Telesat does not insure the net book value of performance incentives that may be payable to a satellite s manufacturer as these are payable only to the extent that the satellite operates in accordance with contracted technical specifications. Telesat s existing launch and in-orbit insurance policies include, and any future policies Telesat obtains can be expected to include, specified exclusions, deductibles and material change limitations. Typically, these insurance policies exclude coverage for damage or losses arising from acts of war, anti-satellite devices, electromagnetic or radio frequency interference and other similar potential risks for which exclusions are customary in the industry at the time the policy is written. In addition, they typically exclude coverage for satellite health-related problems affecting Telesat s satellites that are known at the time the policy is written or renewed. Any claims under existing policies are subject to settlement with the insurers and may, in some instances, be payable to Telesat s customers.

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The price, terms and availability of satellite insurance has fluctuated significantly in recent years. These fluctuations may be affected by recent satellite launch or in-orbit failures and general conditions in the insurance industry. Launch and in-orbit policies on satellites may not continue to be available on commercially reasonable terms or at all. 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. In addition, higher premiums on insurance policies increase our costs, thereby reducing Telesat s profitability. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods, higher loss percentages required for constructive total loss claims and additional satellite health-related policy exclusions. There can be no assurance that, upon the expiration of an in-orbit insurance policy, which typically has a term of one year, Telesat will be able to renew the policy on terms acceptable to them.

Subject to the requirements contained in the indentures governing Telesat s notes and senior secured credit facilities, Telesat may elect to reduce or eliminate insurance coverage for certain of its existing satellites, or elect not to obtain insurance policies for its future satellites, especially if exclusions make such policies ineffective, the costs of coverage make such insurance impractical or if self-insurance is deemed more effective.

Telesat is subject to significant and intensifying competition. Telesat experiences competition both within the satellite industry and from other providers of communications capacity. Telesat s failure to compete effectively would result in a loss of revenues and a decline in profitability, which would adversely affect Telesat s business and results of operations.

Telesat provides point-to-point and point-to-multipoint services for voice, data and video communications and for high-speed Internet access. A trend toward consolidation of major FSS providers has resulted in the creation of global competitors who 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, 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 and may be able to offer expansion capacity for future requirements. Telesat also competes against regional satellite operators who may enjoy competitive advantages in their local markets. As a condition of Telesat s licenses for certain satellites, Telesat is required by Industry Canada to invest in research and development related to satellite communication activities. Telesat s global competitors may not face this additional financial burden.

Telesat expects a substantial portion of its ongoing business will continue to be in the Canadian domestic market. This market is characterized by increasing competition among satellite providers and rapid technological development. Historically, the Canadian regulatory framework has 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 that have adequate service coverage in Canadian territory to compete for future business from Telesat s DTH customers. In 2007 Industry Canada awarded a spectrum which is suitable for providing services to Canadian customers, including DTH, to Ciel Satellite Group (Ciel), which was at the time Canadian controlled but has since become controlled by a foreign entity, SES S.A. (SES), the world s second largest FSS satellite operator and a non-Canadian. In addition, in 2009 Industry Canada authorized FreeHD Canada to use a foreign-based satellite for the provision for DTH services on an interim basis.

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. A number of companies are increasing their ability to transmit signals on existing terrestrial infrastructures, such as fiber optic cable, DSL (digital subscriber line) and terrestrial wireless transmitters often with funding and other incentives provided by government. The ability of any of these companies to significantly increase their capacity and/or the reach of their network likely would result in a decrease in the demand for Telesat s services. Increasing availability of capacity from other forms of communications technology can create an excess supply of telecommunications capacity, decreasing the prices Telesat would be able to charge for its services under new service contracts and thereby negatively affecting Telesat s profitability. New technology could render satellite-based services less competitive by satisfying consumer demand in other ways. Telesat also competes for local regulatory approval in places where more than one provider may want to operate and with other satellite operators for scarce frequency assignments and a limited supply of orbital locations. Telesat s failure to compete effectively could result in a loss of revenues and a decline in profitability, a decrease in the value of its business and a downgrade of its credit rating, which would restrict its access to the capital markets.

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Changes in technology, video distribution methods and demand could have a material adverse effect on Telesat s results of operations and business prospects.

The implementation of new technologies or the improvement of existing technologies may reduce the transponder capacity needed to transmit a given amount of information thereby reducing the total demand for capacity. For example, improvements in signal compression could allow Telesat s customers to transmit the same amount of data using a reduced amount of capacity. The introduction of Ka-band, high throughput satellites, such as ViaSat-1, which are able to transmit substantially more content per transponder than pre-existing Ka-band satellites, may decrease demand and/or prices for pre-existing Ka-band capacity as well as C-band and Ku-band capacity. While Telesat owns the Canadian Payload on ViaSat-1, if other operators introduce more Ka-band, high throughput satellites into the markets in which Telesat participates, it could have a material adverse effect on Telesat s results of operations, business prospects and financial condition.

Telesat s business may be negatively impacted by the growth of over-the-top (OTT) video distribution (e.g., Netflix). This type of distribution involves delivery of broadcasting services through an internet service provider that is not involved in the control or distribution of the content itself. The growth of OTT distribution may have a negative impact on the demand for the services of some of Telesat s large customers in the video distribution business and could result in lessened demand for Telesat s satellite capacity.

Developments that Telesat expects to support the growth in demand for satellite services, such as continued growth in data traffic, the continued proliferation of HDTV, and the adoption of 3D TV may fail to materialize or may not occur in the manner or to the extent Telesat anticipates.

Replacing a satellite upon the end of its service life will require Telesat to make significant expenditures and may require Telesat to obtain approval from its shareholders.

To ensure no disruption in Telesat s business and to prevent loss of its customers, Telesat will be required to commence construction of a replacement satellite approximately three to five years prior to the expected end of service life of the satellite then in orbit. Typically, it costs in the range of $250 million to $300 million to construct, launch and insure a satellite. There can be no assurance that Telesat will have sufficient cash, cash flow or be able to obtain third party or shareholder financing to fund such expenditures on favorable terms, if at all, or that Telesat will obtain shareholder approval, where required, to procure replacement satellites. Certain of Telesat s satellites are nearing their expected end-of-orbital maneuver lives. Should Telesat not have sufficient funds available to replace those satellites or should Telesat not receive approval from its shareholders, where required, to purchase replacement satellites, it could have a material adverse effect on Telesat s results of operations, business prospects and financial condition.

Telesat s business is capital intensive, and Telesat may not be able to raise adequate capital to finance its business strategies, or Telesat may be able to do so only on terms that significantly restrict its ability to operate its business.

Implementation of Telesat s business strategy requires a substantial outlay of capital. As Telesat pursues its business strategies and seeks to respond to developments in its business and opportunities and trends in its industry, its actual capital expenditures may differ from its expected capital expenditures. There can be no assurance that Telesat will be able to satisfy its capital requirements in the future. In addition, if one of Telesat s satellites failed unexpectedly, there can be no assurance of insurance recovery or the timing thereof and Telesat may need to exhaust or significantly draw upon its revolving credit facility or obtain additional financing to replace the satellite. If Telesat determines that it needs to obtain additional funds through external financing and is unable to do so, Telesat may be prevented from fully implementing its business strategy. The availability and cost to Telesat of external financing depends on a number of factors, including its credit rating and financial performance and general market conditions. Telesat s ability to obtain financing generally may be influenced by the supply and demand characteristics of the telecommunications sector in general and of the FSS sector in particular. Declines in Telesat s expected future revenues under contracts with customers and challenging business conditions faced by its customers are among the other factors that may adversely affect Telesat s credit. Other factors that could impact Telesat s credit rating include the amount of debt in its current or future capital structure, activities associated with strategic initiatives, the health of its satellites, the success or failure of its planned launches, its expected future cash flows and the capital expenditures required to execute its business strategy. The overall impact on Telesat s financial condition of any transaction that it pursues may be negative or may be negatively perceived by the financial markets and rating agencies and may result in adverse rating agency actions with respect to its credit rating. Long-term disruptions in the capital or credit markets as a result of uncertainty or recession, changing or increased regulation or failures of significant financial institutions could adversely affect Telesat s access to capital. A credit rating downgrade or deterioration in Telesat s financial performance or general market conditions could limit its ability to obtain financing or could result in any such financing being available only at greater cost or on more restrictive terms than might otherwise be available and, in either case, could result in Telesat deferring or reducing capital expenditures including on new or replacement satellites. In certain circumstances, Telesat is required to obtain the approval of its shareholders to incur additional indebtedness. There can be no assurances that Telesat will receive such approval, if required.

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Telesat operates in a highly regulated industry and government regulations may adversely affect its ability to sell its services, or increase the expense of such services or otherwise limit Telesat s ability to operate or grow its business.

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.

In Canada, 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 them. The CRTC has authority over the allocation (and reallocation) of satellite capacity to particular broadcasting undertakings. Telesat is required to pay different forms of universal service charges in Canada and have certain research and development obligations that do not apply to other satellite operators it competes with. These rates and obligations could change at any time.

In the United States, the Federal Communications Commission (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. In addition, to facilitate the provision of FSS satellite services in C- and Ku-band frequencies in the United States market, foreign licensed operators can apply to have their satellites placed on the FCC s Permitted Space Station List. Telesat s Anik Fl, Anik FlR, Anik F2, Anik F3 and Telstar 14R/Estrela do Sul 2 satellites are currently on this list. The export from the United States of satellites and technical information related to satellites, earth station equipment and provision of services to certain countries are subject to State Department, Commerce Department and Treasury Department regulations, in particular the International Traffic in Arms Regulations (ITAR) which currently include satellites on the list of items requiring export permits. These ITAR provisions have constrained Telesat s access to technical information and have had a negative impact on its international consulting revenues. In addition, Telesat and its satellite manufacturers may not be able to obtain and maintain necessary export authorizations which could adversely affect its ability to procure new United States-manufactured satellites; control its existing satellites; acquire launch services; obtain insurance and pursue its rights under insurance policies; or conduct its satellite-related operations and consulting activities.

Telesat also operates satellites through licenses granted by, and are subject to regulations in, countries other than Canada and the United States. For example, the Brazilian national telecommunications agency, ANATEL, has authorized Telesat, through its subsidiary, Telesat Brasil Capacidade de Satélites Ltda. (TBCS), to operate Telstar 14R/Estrela do Sul 2, a Ku-band FSS satellite at 63° WL pursuant to a Concession Agreement. Telstar 18 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. Although Telesat s agreement with APT provides it with renewal rights with respect to a replacement satellite at this orbital location, Telesat is relying on third parties to secure those orbital location rights and there can be no assurance that they will be granted at all or on a timely basis. Should Telesat be unsuccessful in obtaining renewal rights for the orbital location, because of the control over the orbital location exercised by Tonga or for other reasons, or Telesat otherwise fail to enter into agreements with APT with respect to such replacement satellite, all revenues obtained from Telstar 18 would cease and could have a material adverse effect on Telesat s results of operations, business prospects and financial condition.

In addition to regulatory requirements governing the use of orbital locations, most countries regulate transmission of signals to and from their territory, and Telesat is required to obtain and maintain authorizations to carry on business in the countries in which Telesat operates.

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If Telesat fails to obtain or maintain particular authorizations on acceptable terms, such failure could delay or prevent Telesat from offering some or all of its services and adversely affect its results of operations, business prospects and financial condition. In particular, Telesat may not be able to obtain all of the required regulatory authorizations for the construction, launch and operation of any of its future satellites, for the orbital locations for these satellites and for its group infrastructure, on acceptable term or at all. Even if Telesat were able to obtain the necessary authorizations and orbital locations, the licenses Telesat obtains may impose significant operational restrictions, or not protect Telesat from interference that could affect the use of its satellites. Countries or their regulatory authorities may adopt new laws, policies or regulations, or change their interpretation of existing laws, policies or regulations, that could cause Telesat s existing authorizations to be changed or cancelled, require Telesat to incur additional costs, impose or change existing pricing, or otherwise adversely affect its operations or revenues. As a result, any currently held regulatory authorizations are subject to rescission and renewal and may not remain sufficient or additional authorizations may be necessary that Telesat may not be able to obtain on a timely basis or on terms that are not unduly costly or burdensome. Further, because the regulatory schemes vary by country, Telesat may be subject to regulations in foreign countries of which Telesat is not presently aware that it is not in compliance with, and as a result could be subject to sanctions by a foreign government.

Telesat s operations may be limited or precluded by ITU rules or processes, and Telesat is required to coordinate its operations with those of other satellite operators.

The International Telecommunication Union (ITU), a specialized United Nations agency, regulates the global allocation of radio frequency spectrum and the registration of radio frequency assignments and any associated orbital location in the geostationary satellite orbit. Telesat participates in the activities of the ITU. However, only national administrations have full standing as ITU members. Consequently, Telesat must rely on the relevant government administrations to represent its interests.

The ITU establishes the Radio Regulations, an international treaty which contains the rules concerning frequency allocations and the priority to, coordination of, and use of, radio frequency assignments. The ITU Radio Regulations define the allocation of radio frequencies to specific uses. The ITU Radio Regulations are periodically reviewed and revised at World Radiocommunication Conferences (WRC), which take place typically every three to four years. As a result, Telesat cannot guarantee that the ITU will not change its allocation decisions and rules in the future in a way that could limit or preclude Telesat s use of some or all of its existing or future orbital locations or spectrum.

The ITU Radio Regulations also establish operating procedures for satellite networks and prescribe detailed coordination, notification and recording procedures. With respect to the frequencies used by commercial geostationary satellites, the ITU Radio Regulations set forth a process for protecting earlier-registered satellite systems from interference from later-registered satellite systems. In order to comply with these rules, Telesat must coordinate the operation of its satellites, including any replacement satellite that has performance characteristics that are different from those of the satellite it replaces, with other satellites. This process requires potentially lengthy and costly negotiations with parties who operate or intend to operate satellites that could affect or be affected by Telesat s satellites. For example, as part of Telesat s coordination effort on Telstar 12, Telesat agreed to provide four 54 MHz transponders on Telstar 12 to Eutelsat S.A. (Eutelsat) for the life of the satellite and have retained risk of loss with respect to those transponders. Telesat also granted Eutelsat the right to acquire, at cost, four transponders on the replacement satellite for Telstar 12. Telesat has leased back from Eutelsat three of the four transponders to provide service to its customers. In addition, the Russian Satellite Communications Company (RSCC) has announced that it has commenced construction of a satellite which it intends to launch and operate at 14° WL, adjacent to the location of Telesat s Telstar 12 at 15° WL. RSCC s ITU rights over certain frequencies at 14° WL have priority over Telesat s use of these same frequencies on Telstar 12. Telesat has had discussions with RSCC to resolve this issue but, to date, those discussions have not been successful. Failure to reach an appropriate arrangement with RSCC 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 certain countries, a failure to resolve coordination issues is used by regulators as a justification to limit or condition market access by foreign satellite operators. In addition, while the ITU Radio Regulations require later-in-time systems to coordinate their operations with Telesat, Telesat cannot guarantee that other operators will conduct their operations so as to avoid transmitting any signals that would cause harmful interference to the signals that Telesat, or its customers, transmit. This interference could require Telesat to take steps, or pay or refund amounts to its customers, that could have a material adverse effect on Telesat s results of operations, business prospects and financial condition. The ITU s Radio Regulations do not contain mandatory dispute resolution or enforcement regulations and neither the ITU specifically, nor international law generally, provides clear remedies if the ITU coordination process fails. Failure to successfully coordinate Telesat s satellites frequencies or to obtain or maintain other required regulatory approvals could have an adverse effect on Telesat s financial condition, as well as on the value of its business.

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The content of third-party transmissions over Telesat s satellites may affect Telesat since Telesat could be subject to sanctions by various governmental entities for the transmission of certain content.

Telesat provides satellite capacity for transmissions by third parties. Telesat does not decide what content is transmitted over its satellites, although its contracts generally provide it with rights to prohibit certain types of content or to cease transmission or permit Telesat to require its customers to cease their transmissions under certain circumstances. A governmental body or other entity may object to some of the content carried over Telesat s satellites, such as adult services video channels or content deemed political in nature. Issues arising from the content of transmissions by these third parties over Telesat s satellites could affect its future revenues, operations or relationship with certain governments or customers.

Telesat may experience a failure of ground operations infrastructure or interference with its satellite signals that impairs the commercial performance of, or the services delivered over, its satellites or the satellites of other operators for whom it provides ground services, which could result in a material loss of revenues.

Telesat operates an extensive ground infrastructure including a satellite control center in Ottawa, its main earth station and back up satellite control facility at Allan Park, six teleports throughout Canada, one teleport located in the United States and one in Brazil and it telemetry, tracking and control (TT&C) facility in Perth, Australia. These ground facilities are used for controlling Telesat s satellites and for the provision of end-to-end services to Telesat s customers.

Telesat may experience a partial or total loss of one or more of these facilities due to natural disasters (tornado, flood, hurricane or other such acts of God), fire, acts of war or terrorism or other catastrophic events. A failure at any of these facilities would cause a significant loss of service for Telesat customers. Additionally, Telesat may experience a failure in the necessary equipment at the satellite control center, at the back-up facility, or in the communication links between these facilities and remote teleport facilities. A failure or operator error affecting TT&C operations might lead to a break-down in the ability to communicate with one or more satellites or cause the transmission of incorrect instructions to the affected satellite(s), which could lead to a temporary or permanent degradation in satellite performance or to the loss of one or more satellites. Intentional or non-intentional electromagnetic or radio frequency interference could result in a failure of Telesat s ability to deliver satellite services to its customers. A failure at any of Telesat s facilities or in the communications links between its facilities or interference with its satellite signal could cause its revenues and backlog to decline materially and could adversely affect its ability to market its services and generate future revenues and profit.

Telesat purchases equipment from third party suppliers and depends on those suppliers to deliver, maintain and support these products to the contracted specifications in order for Telesat to meet its service commitments to its customers. Telesat may experience difficulty if these suppliers do not meet their obligations to deliver and support this equipment. Telesat may also experience difficulty or failure when implementing, operating and maintaining this equipment or when providing services using this equipment. This difficulty or failure may lead to delays in implementing services, service interruptions or degradations in service, which could cause Telesat s revenues and backlog to decline materially and could adversely affect Telesat s ability to market its services and generate future revenues and profit.

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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.

Loral, SS/L and Telesat rely on a number of key employees, including members of management and certain other employees possessing unique experience in technical and commercial aspects of the satellite manufacturing and services businesses, including personnel with security clearances for classified work and highly skilled engineers and scientists. If Loral, SS/L or Telesat are unable to retain these employees, it could be difficult to replace them. In addition, the businesses of SS/L and Telesat, with their constant technological developments, must continue to attract highly qualified and technically skilled employees. In the future, the inability of SS/L or Telesat to retain or replace these employees, or their inability to attract new highly qualified employees, could have a material adverse effect on the results of operations, business prospects and financial condition of Loral, SS/L or Telesat.

MHR may be viewed as our controlling stockholder and may have conflicts of interest with us in the future.

As of December 31, 2011, various funds affiliated with MHR and Dr. Rachesky held approximately 38.6% 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 57.7% of the outstanding common equity of Loral as of December 31, 2011. As of February 15, 2012, representatives of MHR occupy two of the seven seats on our board of directors, with one seat, previously occupied by a former managing principal of MHR, currently being vacant. 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.

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Interruption or failure of, or cyber-attacks on, our information technology and communications systems could hurt our ability to operate our business effectively, which could harm our business and operating results.

Our ability to operate our business depends, in part, on the continuing operation of our information technology and communications systems, which are an integral part of our business. We rely on our information and communication systems, as well as software applications developed internally to, among other things, effectively manage our accounting and financial functions, including maintaining our internal controls, manage our manufacturing processes, perform our research and development and assist with scheduling, sales order entry, purchasing, materials management and other production functions. Although we take steps to secure our information and communications systems, including our computer systems, intranet and internet sites, email and other telecommunications and data networks, the security measures we have implemented may not be effective and our systems may be vulnerable to theft, loss, damage and interruption from a number of potential sources and events, including unauthorized access or security breaches, inclement weather, natural or man-made disasters, earthquakes, explosions, terrorist attacks, floods, fires, cyber-attacks, computer viruses, power loss, telecommunications or equipment failures, transportation interruptions, accidents or other disruptive events or attempts to harm our systems. In addition, some of our facilities, particularly those at SS/L, are located in areas with a high risk of major earthquakes, and our facilities are also subject to break-ins, sabotage and intentional acts of vandalism. Moreover, some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. Our business and operations could be adversely affected if, as a result of a significant cyber event or otherwise, our operations are disrupted or shut down, our confidential or proprietary information is stolen or disclosed, we incur costs or are required to pay fines in connection with confidential or export-controlled information that is disclosed, we must dedicate significant resources to system repairs or to increase cyber security protection or we otherwise incur significant litigation or other costs as a result of any such event. While our insurance coverage could offset losses relating to some of these types of events, to the extent any such losses are not covered by insurance, a serious disruption to our systems could significantly limit our ability to manage and operate our business efficiently, which in turn could have a material adverse effect on our business, results of operations and financial condition.

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, 2011, we had federal net operating loss carryforwards, or NOLs, of approximately $380 million and state NOLs, primarily California, of approximately $244 million, that are available to offset future taxable income (see Notes 2 and 10 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, the total market value of our equity multiplied by the federal applicable long-term tax exempt rate, which at December 31, 2011 was 3.55%, was less than $32.6 million. As of December 31, 2011, since the total market value of our equity ($2.0 billion) multiplied by the federal applicable long-term tax exempt rate was approximately $70 million an ownership change as of that date would not have had an adverse effect.

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There is a thin trading market for our voting common stock.

Trading activity in our voting common stock, which is listed on the NASDAQ National Market, has generally been light, averaging approximately 73,000 shares per day for the year ended December 31, 2011. Moreover, over 50% of our voting 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 voting 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 voting common stock and non-voting common stock that would also, if exercised, effectively eliminate such restrictions. In addition, our board of directors has authorized a stock repurchase program pursuant to which the Company is authorized to purchase up to 800,000 shares of our voting common stock. To the extent the Company does repurchase shares (in 2011, we purchased 136,494 shares of voting common stock), the number of shares available for trading in the market will be reduced thereby increasing further the illiquidity of our stock.

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

As of December 31, 2011, 21,093,079 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 339,000 shares of our voting common stock, of which 307,750 were vested and exercisable and of which 31,250 will become vested and exercisable over the next year. There were also 24,600 non-vested restricted stock units outstanding as of December 31, 2011. These restricted stock units, which may be settled either in cash or Loral voting common stock at the Company s option, vest over the next one and a half years. As of December 31, 2011, 1,158,879 shares of our voting 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 voting 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 voting 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 voting common stock.

A public offering of stock in Telesat could adversely affect the market for, and price of, our common stock and the value of our interest in Telesat.

Since the end of October 2011, each of Loral and the other principal shareholder in Telesat has had the right under the terms of the Telesat Shareholders Agreement to require Telesat to conduct an initial public offering of its equity securities. To date, neither party has exercised such right. In the event Telesat were to conduct a public offering of its equity securities, it is uncertain whether the offering would be a primary offering of shares by Telesat, a secondary offering of shares by either or both of the Telesat shareholders or a combination of both types of offerings. It is also uncertain what effect an offering (and any corporate restructuring required in connection with such offering under the terms of the Telesat Shareholders Agreement) would have on Loral s governance rights in Telesat. Changes in our Telesat governance rights could adversely affect the value of our interest in Telesat and the price at which our common stock trades. In addition, a public market for Telesat equity would create a situation where there would be two separate public-market proxies for the value of Telesat our stock and the Telesat stock which could create confusion in the market and could adversely affect the liquidity and/or trading values of either our or Telesat s common stock.

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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.

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 15 to the Loral consolidated financial statements. Also, see 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, above, for discussion of risks related to a lawsuit filed by ViaSat. 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 effect on our, business, financial condition and results of operations.

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

None.

Item 2. ***Properties***

Corporate

We lease approximately 15,000 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, 2011 encompasses 1.31 million square feet, approximately 564,000 square feet of which are owned and 749,000 square feet of which are leased, spanning 35 buildings on 77 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.

SS/L has 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 security 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 its thermal vacuum chamber and has a relationship with MacDonald, Dettwiler and Associates Ltd. to allow for use of its near field test facility for antenna subsystems.

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SS/L expects to spend approximately $200 million over the three-year period ending December 31, 2013, including $37 million of expenditures in 2011, related to an infrastructure campaign that includes 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. Upon completion of this infrastructure campaign, we anticipate returning to a more customary level of annual capital expenditures of $30 million to $40 million, excluding major system upgrades caused by additional expansion or technology insertion.

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 commenced February 1, 2009 and provides for a fifteen year term (terminable by Telesat Canada at any time after ten years upon two years notice).

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 the single point of contact for Telesat s international customers and is also the main earth station complex providing TT&C services for the satellites Telesat operates. The Allan Park earth station also houses Telesat s backup satellite control center for the Nimiq and Anik satellites.

In addition to these facilities, Telesat leases facilities for administrative and sales offices in various locations throughout Canada and the United States as well as in Brazil, England, the Netherlands and Singapore.

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 15 to the Loral consolidated financial statements for this discussion.

Item 4. ***Mine Safety Disclosures***

Not Applicable

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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, divided into two series, of which 50,000,000 shares are voting common stock and 20,000,000 shares are 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, 2010 through December 31, 2011.

	September 30, High	September 30, Low
Year ended December 31, 2011		
Quarter ended December 31, 2011	$ 64.95	$ 47.19
Quarter ended September 30, 2011	72.11	45.65
Quarter ended June 30, 2011	80.56	62.41
Quarter ended March 31, 2011	82.49	71.26
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

There is no established trading market for the Company s non-voting common stock. 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 February 17, 2012, there were 283 holders of record of our voting common stock and five holders of record of our non-voting common stock.

(c) Issuer Purchases of Equity Securities

The following table provides information about share repurchases made by Loral of its voting common stock that are registered pursuant to Section 12 of the Exchange Act during the fourth quarter of 2011. Repurchases are made from time to time at management s discretion in accordance with applicable federal securities laws. All share repurchases of Loral s voting common stock have been recorded as treasury shares.

	September 30, Total number of shares purchased	September 30, Average price paid per share	September 30, Total number of shares purchased as publicly announced plans or programs	September 30, Maximum number of shares that may yet be purchased under the plans or programs[1]
November 17-30, 2011	44,346	$ 60.07	44,346	755,654
December 1-31, 2011	92,148	62.25	92,148	663,506
Total	136,494		136,494	

(1) On November 14, 2011, Loral s Board of Directors approved a share purchase program that authorizes Loral to purchase up to 800,000 shares of its outstanding voting common stock.

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(d) 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.

(e) Securities Authorized for Issuance under Equity Compensation Plans

See Note 11 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 2012 definitive proxy statement which is incorporated herein by reference.

(f) 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, 2006 to December 31, 2011. The graph assumes that $100 was invested on December 31, 2006 in each of our voting 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.

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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, 2011.

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 then 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. Loral Skynet has, therefore, 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.

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)

	September 30, 2011	September 30, 2010	September 30, 2009	September 30, 2008	September 30, 2007
			Year Ended December 31,		
Statement of operations data:					
Revenues:					
Satellite Manufacturing	$ 1,107,365	$ 1,158,985	$ 993,400	$ 869,398	$ 761,363
Satellite Services					121,091
Total Revenues	1,107,365	1,158,985	993,400	869,398	882,454
Operating income (loss)[1]	93,434	80,608	20,211	(193,977)	45,256
Income (loss) before income taxes and equity in net income (losses) of affiliates[2][3]	109,990	93,094	26,975	(151,523)	157,786
Income tax (provision) benefit[4]	(89,145)	308,622	(5,571)	(45,744)	(83,457)
Income (loss) before equity in net income (losses) of affiliates	20,845	401,716	21,404	(197,267)	74,329
Equity in net income (losses) of affiliates[5]	106,329	85,625	210,298	(495,649)	(21,430)
Net income (loss)	127,174	487,341	231,702	(692,916)	52,899
Net income attributable to noncontrolling interest	(497)	(495)			(23,240)
Net income (loss) attributable to Loral	126,677	486,846	231,702	(692,916)	29,659
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	$ 126,677	$ 486,846	$ 231,702	$ (716,983)	$ (15,405)
Basic and diluted income (loss) per share:					
Basic income (loss) per share	$ 4.13	$ 16.18	$ 7.79	$ (35.13)	$ (0.77)
Diluted income (loss) per share	$ 3.92	$ 15.63	$ 7.73	$ (35.13)	$ (0.77)

Cash flow data:					
Provided by (used in) operating activities	$ 57,994	$ 41,949	$ 154,562	$ (202,210)	$ 27,123
(Used in) provided by investing activities	(4,037)	(54,057)	(48,750)	(47,308)	61,519
(Used in) provided by financing activities	(22,644)	9,704	(55,155)	52,372	39,510

	September 30, 2011	September 30, 2010	September 30, December 31, 2009	September 30, 2008	September 30, 2007
Balance sheet data:					
Cash and cash equivalents	$ 197,114	$ 165,801	$ 168,205	$ 117,548	$ 314,694
Total assets	1,836,153	1,754,909	1,253,452	995,867	1,702,939
Debt, including current portion				55,000	
Non-current liabilities	485,598	414,013	380,143	381,836	289,602
Equity					
Loral shareholders equity	$ 946,459	$ 900,320	$ 431,991	$ 209,657	$ 973,558
Non-controlling interest	1,126	629			
Total equity	$ 947,585	$ 900,949	$ 431,991	$ 209,657	$ 973,558

(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 7 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.

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(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.

(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 10 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 and converted to non-voting common stock. 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.

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 then 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 33⅓% 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, project, intend, or 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.

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Overview

Businesses

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

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, 2011, SS/L had $1.4 billion in backlog for 22 satellites for customers including, among others, Intelsat Global S.A., SES S.A., Telesat Holdings Inc., Hispasat, S.A., EchoStar Corporation, Sirius-XM Satellite Radio, TerreStar Networks, Inc., Asia Satellite Telecommunications Co. Ltd., Hughes Network Systems, LLC, ViaSat, Inc., Eutelsat/ictQatar, DIRECTV, Sing Tel Optus, Satélites Mexicanos, S.A. de C.V., Asia Broadcast Satellite and Telenor Satellite Broadcasting. From January 1, 2012 to February 15, 2012, SS/L was awarded contracts for three satellites, including two satellites for NBN Co. Limited.

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.

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.

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While its requirement for ongoing capital investment to maintain its current capacity is relatively low, SS/L expects to spend approximately $200 million over the three-year period ending December 31, 2013, including $37 million of expenditures in 2011, related to an infrastructure campaign that includes 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. Upon completion of this infrastructure campaign, we anticipate returning to a more customary level of annual capital expenditures of $30 million to $40 million, excluding major system upgrades caused by additional expansion or technology insertion.

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 2,900 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 $5.3 billion of backlog as of December 31, 2011.

Telesat is a leading global fixed satellite services operator, with offices and facilities around the world. Telesat provides its satellite and communication services from a fleet of satellites that occupy Canadian and other orbital locations.

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.

At December 31, 2011, Telesat provided satellite services to customers from its fleet of 12 in-orbit satellites. In addition, Telesat owns the Canadian Ka-band payload on the ViaSat-1 satellite which was launched in October 2011. Telesat currently has two satellites under construction: Nimiq 6, which Telesat anticipates will be launched in the first half of 2012, and Anik G1, which Telesat anticipates will be launched in the second half of 2012.

Telesat s commitment to providing strong customer service and its focus on innovation and technical expertise has allowed it to successfully build its business to date. Building on its existing contractual revenue backlog, Telesat s focus is on taking disciplined steps to grow its core business and sell newly launched and existing in-orbit satellite services, 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 satellites offer a strong combination of existing revenue backlog, revenue growth and a strong foundation upon which it will seek to continue to grow its revenue and cash flows. The growth is expected to come from the Canadian payload on the ViaSat-1 satellite, its Nimiq 6 satellite, its Anik G1 satellite, and the sale of available capacity on its existing in-orbit satellites.

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 long term service agreements prior to 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 until it believes there is a demonstrated need and a sound business plan for such satellite capacity.

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Telesat anticipates that it can increase revenue without a proportional increase in operating expenses, allowing for operating margin expansion. 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 cost to maintain and operate the satellite is relatively low over the life of the satellite, with the exception of in-orbit insurance. The relatively fixed cost nature of the business, combined with contracted revenue growth and other growth opportunities, is expected to produce growth in income and operating cash flow.

In 2012, Telesat will remain focused on: increasing utilization on its existing satellites, continuing construction of the satellites it is currently procuring, securing additional customer requirements to support the procurement of additional satellites and maintaining cost and operating discipline.

On April 11, 2011, Telesat acquired from Loral the Canadian payload on the ViaSat-1 satellite and a 15-year revenue contract with Xplornet Communications Inc. to make use of the payload. The ViaSat-1 satellite was successfully launched in October 2011 and entered into commercial service in December 2011.

Telesat determined that following the launch in May 2011 of the Telstar 14R/Estrela do Sul 2 satellite, the satellite s north solar array failed to fully deploy. The north solar array anomaly has diminished the amount of power available for the satellite s transponders and has reduced the life expectancy of the satellite. However, the satellite will support all of the existing services to customers formerly provided by Telstar 14/Estrela do Sul, the satellite it replaced at 63° West Longitude, as well as provide some additional capacity for expansion.

Telesat has insurance policies that provide coverage for a total, constructive total or partial loss of Telstar 14R /Estrela do Sul 2. During the third quarter of 2011, Telesat filed a claim under its policies with its insurers. In December 2011, Telesat received insurance proceeds in the amount of $132.7 million. The proceeds will be reinvested in satellite procurements in accordance with the terms and conditions of the Credit Agreement.

Telesat s operating results are subject to fluctuations as a result of exchange rate variations. Approximately 47% of Telesat s revenues received in Canada for the year ended December 31, 2011, a large portion 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, 2011 would have increased or decreased Telesat s net income for the year ended December 31, 2011 by approximately $155 million. During the period from October 31, 2007 to December 31, 2011, Telesat s U.S. term loan facility, senior notes and senior subordinated notes have increased by approximately $192 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 $158 million.

Strategic Developments

Telesat s Board of Directors and shareholders have authorized management to explore a refinancing/recapitalization transaction, which, if consummated, could result in, among other things, the incurrence by Telesat of up to approximately CAD 530 million of additional debt and payments to Telesat s option holders and distributions to Telesat s shareholders of up to approximately CAD 705 million, of which up to approximately CAD 420 million would be paid to Loral. Among the factors that may affect the determination whether to proceed with this potential transaction are market conditions for refinancing and incurrence of additional indebtedness. If any transaction results in receipt of proceeds by Loral, Loral would evaluate all alternatives for the use of such proceeds, including stock repurchases and/or a dividend to Loral stockholders.

With regard to SS/L, Loral has been exploring various strategic initiatives relating to the separation of its satellite manufacturing subsidiary from Loral, including a potential spin-off as well as other strategic alternatives. In connection with a potential spin-off, the Loral Board of Directors previously formed a committee of independent directors to negotiate and approve the terms and conditions of the stock that would be distributed in respect of the Company s non-voting common stock pursuant to a spin-off of SS/L and to evaluate alternatives with respect thereto. The Company is considering alternatives to a spin-off for the separation of SS/L from Loral and, as a result, the Company has asked the committee to defer further work on its assignment.

There can be no assurance whether or when any transaction involving Loral, Telesat or SS/L will occur.

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General

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, which was successfully launched in October 2011. The ViaSat-1 satellite is a high capacity Ka-band spot beam satellite for broadband services that was launched into the 115º West longitude orbital location. Loral also entered into an agreement with Xplornet, Canada s largest rural broadband provider, to deliver high throughput satellite Ka-band capacity for broadband services in Canada. Under the agreement, Xplornet agreed to contract with Loral for the Canadian capacity on the ViaSat-1 satellite and associated gateway services for the expected life of the satellite, now projected to commence in late 2011 or early 2012, and Loral agreed to construct and operate four gateways in Canada. Approximately $50 million had been invested by Loral through April 11, 2011. A portion of these costs was funded by prepayments in 2010 from Xplornet of CAD 2.5 million as required under the agreement. On April 11, 2011, Loral assigned 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 (see Note 17 to the financial statements). In addition, in connection with the assignment, Telesat agreed that if it 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.

In connection with the acquisition of our ownership interest in Telesat in 2007, 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 16 to the financial statements) reflects the results of our business segments for 2011, 2010 and 2009. 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 before depreciation, amortization and stock-based compensation (excluding stock-based compensation from SS/L phantom stock appreciation rights expected to be settled in cash), gain on disposition of net assets 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: gain on disposition of net assets; directors indemnification expense; gains or losses on litigation not related to our operations; other expense; and equity in net income 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, gain on disposition of net assets, directors indemnification expense, gains or losses on litigation not related to our operations, other expense and equity in net income 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 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.

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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, 2011, 2010 and 2009. 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.

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

Revenues:

	September 30, 2011	September 30, 2010	September 30, 2009
	Year Ended December 31, (In millions)		
Satellite Manufacturing	$ 1,108.2	$ 1,165.1	$ 1,008.7
Satellite Services	817.3	797.3	691.6
Segment revenues	1,925.5	1,962.4	1,700.3
Eliminations[(1)]	(0.8)	(6.1)	(15.3)
Affiliate eliminations[(2)]	(817.3)	(797.3)	(691.6)
Revenues as reported[(3)]	$ 1,107.4	$ 1,159.0	$ 993.4

See explanations below for Notes 1, 2 and 3.

Changes 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 decreased $57 million for the year ended December 31, 2011 as compared to 2010, due to an $81 million reduction in revenues generated by the percentage of completion effect of lower costs incurred in 2011 resulting from the timing of manufacturing activity and the average size and profitability of satellites under construction during the period and the Telstar 14R anomaly impact of $13 million, partially offset by improved factory efficiency (which reduces the estimated cost to complete and increases the percentage of completion and the revenue recognized) of $37 million. Eliminations for the year ended December 31, 2011 and 2010 consist primarily of revenue applicable to Loral s interest in a portion of the payload of the ViaSat-1 satellite which was being constructed by SS/L (see Note 17 to the financial statements). Eliminations decreased in 2011 due to the sale of Loral s portion of the ViaSat-1 payload on April 11, 2011.

Satellite Services segment revenue increased by $20 million for the year ended December 31, 2011 as compared to 2010 primarily due to the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenues. In addition, revenue growth in Telesat s international enterprise activities and in its Infosat subsidiary was partially offset by a scheduled rate reduction on a long-term contract. Satellite Services segment revenues excluding foreign exchange impact would have increased by approximately $3 million for the year ended December 31, 2011 as compared with 2010.

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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 17 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.

Adjusted EBITDA:

	September 30, 2011	September 30, 2010	September 30, 2009
	Year Ended December 31,		
	(In millions)		
Satellite Manufacturing	$ 137.7	$ 143.1	$ 90.6
Satellite Services	629.2	606.7	488.1
Corporate expenses	(17.2)		