LORAL SPACE & COMMUNICATIONS INC.
Form 10-Q
November 09, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

Commission file number 1-14180

Loral Space & Communications Inc.

565 Fifth Avenue

New York, New York 10017

Telephone: (212) 697-1105

Jurisdiction of incorporation: Delaware

IRS identification number: 87-0748324

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 whether the registrant is a large accelerated filer, an 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 Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)

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 ¨

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

As of October 30, 2015, 21,427,078 shares of the registrant’s voting common stock and 9,505,673 shares of the registrant’s non-voting common stock were outstanding.

LORAL SPACE & COMMUNICATIONS INC.

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PART I
FINANCIAL INFORMATION

Item 1. ***Financial Statements***

LORAL SPACE & COMMUNICATIONS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

(Unaudited)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 62,148	$ 51,433
Notes receivable	—	33,667
Income tax refund receivable	2,464	—
Other current assets	1,889	1,786
Total current assets	66,501	86,886
Investments in affiliates	14,559	104,792
Long-term deferred tax assets	145,994	112,898
Other assets	126	50
Total assets	$ 227,180	$ 304,626
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued employment costs	$ 2,087	$ 2,300
Other current liabilities	12,099	13,424
Total current liabilities	14,186	15,724
Pension and other postretirement liabilities	17,915	20,793
Long-term liabilities	84,602	92,469
Total liabilities	116,703	128,986
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common Stock:		
	216	216

Voting common stock, $0.01 par value; 50,000,000 shares authorized, 21,581,572 and 21,568,706 issued		
Non-voting common stock, $0.01 par value; 20,000,000 shares authorized 9,505,673 issued and outstanding	95	95
Paid-in capital	1,020,090	1,017,520
Treasury stock (at cost), 154,494 shares of voting common stock	(9,592)	(9,592)
Accumulated deficit	(871,775)	(803,378)
Accumulated other comprehensive loss	(28,557)	(29,221)
Total shareholders' equity	110,477	175,640
Total liabilities and shareholders' equity	$ 227,180	$ 304,626

See notes to condensed consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) INCOME

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
General and administrative expenses	$ (1,652)	$ (1,281)	$ (5,349)	$ (3,957)
Operating loss	(1,652)	(1,281)	(5,349)	(3,957)
Interest and investment income	15	91	119	492
Interest expense	(5)	(3)	(13)	(10)
Other expense	(164)	(450)	(3,248)	(2,026)
Loss from continuing operations before income taxes and equity in net (loss) income of affiliates	(1,806)	(1,643)	(8,491)	(5,501)
Income tax benefit (provision)	36,934	(4,954)	30,901	(25,106)
Income (loss) from continuing operations before equity in net (loss) income of affiliates	35,128	(6,597)	22,410	(30,607)
Equity in net (loss) income of affiliates	(38,475)	(19,283)	(90,233)	42,911
(Loss) income from continuing operations	(3,347)	(25,880)	(67,823)	12,304
Loss from discontinued operations, net of tax	(208)	(6,440)	(574)	(6,448)
Net (loss) income	(3,555)	(32,320)	(68,397)	5,856
Other comprehensive (loss) income, net of tax	(698)	1,543	664	2,592
Comprehensive (loss) income	$ (4,253)	$ (30,777)	$ (67,733)	$ 8,448
Net (loss) income per share:				
Basic				
(Loss) income from continuing operations	$ (0.11)	$ (0.84)	$ (2.19)	$ 0.40
Loss from discontinued operations, net of tax	(0.01)	(0.21)	(0.02)	(0.21)
Net (loss) income	$ (0.12)	$ (1.05)	$ (2.21)	$ 0.19
Diluted				
(Loss) income from continuing operations	$ (0.11)	$ (0.84)	$ (2.19)	$ 0.38
Loss from discontinued operations, net of tax	(0.01)	(0.21)	(0.02)	(0.21)
Net (loss) income	$ (0.12)	$ (1.05)	$ (2.21)	$ 0.17
Weighted average common shares outstanding:				
Basic	30,933	30,920	30,926	30,920

Diluted	30,933	30,920	30,926	31,004

See notes to condensed consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock					Treasury Stock			Accumulated	
	Voting Shares Issued	Amount	Non-Voting Shares Issued	Amount	Paid-In Capital	Voting Shares	Amount	Accumulated Deficit	Other Comprehensive Loss	Shareholders' Equity
Balance, January 1, 2014	21,569	$ 216	9,506	$ 95	$ 1,015,656	154	$ (9,592)	$ (777,549)	$ (20,916)	$ 207,910
Net loss								(25,829)		
Other comprehensive loss									(8,305)	
Comprehensive loss										(34,134)
Tax benefit associated with stock-based compensation					1,864					1,864
Balance, December 31, 2014	21,569	216	9,506	95	1,017,520	154	(9,592)	(803,378)	(29,221)	175,640
Net loss								(68,397)		
Other comprehensive income									664	
Comprehensive loss										(67,733)
Settlement of restricted stock units	13	—			—					—
Tax benefit associated with stock-based compensation					2,570					2,570
Balance, September 30,	21,582	$ 216	9,506	$ 95	$ 1,020,090	154	$ (9,592)	$ (871,775)	$ (28,557)	$ 110,477

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See notes to condensed consolidated financial statements

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LORAL SPACE & COMMUNICATIONS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Operating activities:		
Net (loss) income	$ (68,397)	$ 5,856
Loss from discontinued operations, net of tax	574	6,448
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Non-cash operating items (Note 2)	58,069	(22,442)
Changes in operating assets and liabilities:		
Other current assets and other assets	(38)	(1)
Accrued expenses and other current liabilities	(948)	359
Income taxes receivable and payable	(3,091)	2,725
Pension and other postretirement liabilities	(3,404)	(3,488)
Long-term liabilities	735	105
Net cash used in operating activities – continuing operations	(16,500)	(10,438)
Net cash used in operating activities – discontinued operations	(8,920)	(25,854)
Net cash used in operating activities	(25,420)	(36,292)
Investing activities:		
Tax indemnification recovery from affiliate	—	5,438
Capital expenditures	(102)	(4)
Net cash (used in) provided by investing activities – continuing operations	(102)	5,434
Receipt of principal, Land Note - discontinued operations	33,667	67,333
Net cash provided by investing activities	33,565	72,767
Financing activities:		
Tax benefit associated with stock-based compensation	2,570	1,864
Net cash provided by financing activities – continuing operations	2,570	1,864
Net cash provided by financing activities – discontinued operations	—	—
Net cash provided by financing activities	2,570	1,864
Increase in cash and cash equivalents	10,715	38,339
Cash and cash equivalents — beginning of period	51,433	5,926
Cash and cash equivalents — end of period	$ 62,148	$ 44,265

See notes to condensed consolidated financial statements

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LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Principal Business

Loral Space & Communications Inc., together with its subsidiaries ("Loral," the "Company," "we," "our" and "us") is a leading satellite communications company engaged, through our ownership interests in affiliates, in satellite-based communications services.

Description of Business

Loral has one operating segment consisting of satellite-based communications services. Loral participates in satellite services operations through its ownership interest in Telesat Holdings Inc. ("Telesat Holdco") which owns Telesat Canada ("Telesat"), a global satellite services operator. 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.

Loral holds a 62.8% economic interest and a 32.7% voting interest in Telesat Holdco (see Note 5). We use the equity method of accounting for our ownership interest in Telesat Holdco.

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.

Sale of SS/L

On November 2, 2012, Loral completed the sale (the "Sale") of its wholly-owned subsidiary, Space Systems/Loral, LLC (formerly known as Space Systems/Loral, Inc. ("SS/L")), to MDA Communications Holdings, Inc. ("MDA Holdings"), a

subsidiary of MacDonald, Dettwiler and Associates Ltd. ("MDA"). Pursuant to the purchase agreement (the "Purchase Agreement"), dated as of June 26, 2012, as amended on October 30, 2012 and March 28, 2013, by and among Loral, SS/L, MDA and MDA Holdings, Loral agreed to indemnify SS/L from certain damages in a lawsuit (the "ViaSat Suit") brought in 2012 by ViaSat, Inc. ("ViaSat") against Loral and SS/L. In September 2014, Loral, SS/L and ViaSat entered into a settlement agreement (the "Settlement Agreement") pursuant to which the ViaSat Suit and an additional patent infringement and breach of contract lawsuit brought by ViaSat against SS/L in September 2013 were settled. Loral was also released by MDA, MDA Holdings and SS/L from indemnification claims relating to the ViaSat lawsuits under the Purchase Agreement. The terms of the Settlement Agreement provide, among other things, for payment by Loral and SS/L to ViaSat on a joint and several basis of $100 million, $40 million of which was paid in September 2014 in connection with entering into the Settlement Agreement, with the remaining $60 million payable with interest in ten equal quarterly installments of $6.9 million from October 15, 2014 through January 15, 2017. As of September 30, 2015 and December 31, 2014, the total principal and accrued interest amount payable by Loral and SS/L to ViaSat, on a joint and several basis, was $38.3 million and $55.2 million, respectively.

Following a mediation session held on December 1, 2014, Loral and MDA entered into an agreement titled "MDA/Loral Dispute Resolution" dated December 1, 2014 (the "Allocation Agreement"), pursuant to which Loral and MDA agreed that Loral will be responsible for $45 million, and MDA and SS/L will be responsible for $55 million, of the $100 million litigation settlement with ViaSat.

As of September 30, 2015, Loral has paid $29.2 million toward the ViaSat settlement. Pursuant to the Allocation Agreement, Loral paid ViaSat $2.8 million in October 2015 and is obligated to make five additional equal quarterly payments to ViaSat through January 2017 totaling $14.0 million inclusive of interest at 3.25% per year (see Note 14).

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules of the Securities and Exchange Commission ("SEC") and, in our opinion, include all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of results of operations, financial position and cash flows as of the balance sheet dates presented and for the periods presented. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been condensed or omitted pursuant to SEC rules. We believe that the disclosures made are adequate to keep the information presented from being misleading. The results of operations for the three and nine months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year.

The December 31, 2014 balance sheet has been derived from the audited consolidated financial statements at that date. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in our latest Annual Report on Form 10-K filed with the SEC.

Investments in Affiliates

Ownership interests in Telesat and XTAR, LLC ("XTAR") are accounted for using the equity method of accounting. Income and losses of affiliates are recorded based on our beneficial interest. Our equity in net income or loss also reflects amortization of profits eliminated, to the extent of our economic interest in Telesat and XTAR, on satellites we constructed for them while we owned SS/L and on Loral's sale to Telesat in April 2011 of its portion of the payload on the ViaSat-1 satellite and related assets. Equity in losses of affiliates is not recognized after the carrying value of an investment, including advances and loans, has been reduced to zero, unless guarantees or other funding obligations exist. The Company monitors its equity method investments for factors indicating other-than-temporary impairment. An impairment loss is recognized when there has been a loss in value of the affiliate that is other-than-temporary.

Use of Estimates in Preparation of Financial Statements

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

Significant estimates also included the allowances for doubtful accounts, income taxes, including the valuation of deferred tax assets, the fair value of liabilities indemnified and our pension liabilities.

Cash and Cash Equivalents

As of September 30, 2015, the Company had $62.1 million of cash and cash equivalents. Cash and cash equivalents include liquid investments, primarily money market funds, with maturities of less than 90 days at the time of purchase and no redemption limitations. Management determines the appropriate classification of its investments at the time of purchase and at each balance sheet date.

Concentration of Credit Risk

Financial instruments which potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents and receivables. Our cash and cash equivalents are maintained with high-credit-quality financial institutions. As a result, management believes that its potential credit risks are minimal.

Fair Value Measurements

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

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

Assets and Liabilities Measured at Fair Value

The following table presents our assets and liabilities measured at fair value at September 30, 2015 and December 31, 2014 (in thousands):

	September 30, 2015			December 31, 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents:						
Money market funds	$60,113	$ —	$ —	$42,432	$ —	$—
Note receivable:						
Land Note	—	—	—	—	—	33,667
Other current assets:						
Indemnification - Sale of SS/L	—	—	920	—	—	428
Liabilities						
Long term liabilities:						
Indemnification - Globalstar do Brasil S.A.	—	—	924	—	—	972

The carrying amount of cash equivalents approximates fair value as of each reporting date because of the short maturity of those instruments. The carrying amount of the Land Note approximated fair value as of December 31, 2014 because the stated interest rate was consistent with current market rates.

The fair value of indemnifications related to the Sale was originally estimated using Monte Carlo simulation based on the potential probability weighted cash flows that would be a guarantor's responsibility in an arm's length transaction. The indemnification liability related to the ViaSat Suit has been excluded from the fair value table as a result of the Settlement Agreement and the Allocation Agreement, which provided for fixed payments (see Note 14). The asset resulting from the indemnification of SS/L is for pre-closing taxes and reflects the excess of payments since inception over the estimated liability, which was originally determined using the fair value objective approach. The estimated liability for indemnifications relating to Globalstar do Brasil S.A. ("GdB"), originally determined using expected value analysis, is net of payments since inception. The fair values of indemnification liabilities are not remeasured on a recurring basis. The Company does not have any non-financial assets or non-financial liabilities that are recognized or disclosed at fair value as of September 30, 2015.

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

We review the carrying values of our equity method investments when events and circumstances warrant and consider all available evidence in evaluating when declines in fair value are other-than-temporary. The fair values of our investments are determined based on valuation techniques using the best information available and may include quoted market prices, market comparables and discounted cash flow projections. An impairment charge is recorded when the carrying amount of the investment exceeds its current fair value and is determined to be other-than-temporary.

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Contingencies

Contingencies by their nature relate to uncertainties that require management to exercise judgment both in assessing the likelihood that a liability has been incurred as well as in estimating the amount of potential loss, if any. We accrue for costs relating to litigation, claims and other contingent matters when such liabilities become probable and reasonably estimable. Such estimates may be based on advice from third parties or on management's judgment, as appropriate. Actual amounts paid may differ from amounts estimated, and such differences will be charged to operations in the period in which the final determination of the liability is made.

Discontinued Operations

Adjustments to amounts previously reported in discontinued operations and interest expense that are directly related to the Sale are classified as discontinued operations in the statements of operations for the three and nine months ended September 30, 2015 and 2014 and in the cash flows for the nine months ended September 30, 2015 and 2014.

Recent Accounting Pronouncements

In January 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-01, *Income Statement – Extraordinary and Unusual Items.* ASU 2015-01 simplifies income statement classification by removing the concept of extraordinary items from U.S. GAAP. Under the existing guidance, an entity is required to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is of unusual nature and occurs infrequently. This separate, net-of-tax presentation (and corresponding earnings per share impact) will no longer be allowed. The existing requirement to separately present items that are of unusual nature or occur infrequently on a pre-tax basis within income from continuing operations has been retained. The new guidance also requires similar separate presentation of items that are both unusual and infrequent. The guidance, effective for the Company on January 1, 2016, with earlier application permitted as of the beginning of the fiscal year of adoption, is not expected to have a material impact on our consolidated financial statements.

In August 2014, the FASB issued a new standard – ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern* - that will explicitly require management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. According to the new standard, substantial doubt about an entity's ability to continue as a going concern exists if it is probable that the entity will be unable to meet its obligations as they become due within one year after the date the entity's financial statements are issued. In order to determine the specific disclosures, if any, that would be required, management will need to assess if substantial doubt exists, and, if so, whether its plans will alleviate such substantial doubt. The new standard requires assessment each annual and interim period and will be effective for the Company on December 31, 2016 with earlier application permitted.

In April 2014, the FASB issued ASU No. 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity.* ASU No. 2014-08 changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, only those disposals that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the consolidated financial statements. Also, disposal of an equity method investment that meets the definition of a discontinued operation is to be reported in discontinued operations under the new guidance. The guidance, effective for the Company on January 1, 2015, did not have a material impact on our consolidated financial statements.

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Additional Cash Flow Information

The following represents non-cash activities and supplemental information to the condensed consolidated statements of cash flows (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Non-cash operating items:		
Equity in net loss (income) of affiliates	$ 90,233	$ (42,911)
Deferred taxes	(33,248)	20,101
Depreciation and amortization	26	32
Reclassification from accumulated other comprehensive loss	1,058	336
Net non-cash operating items – continuing operations	$ 58,069	$ (22,442)
Supplemental information:		
Interest paid – continuing operations	$ 310	$ 10
Interest paid – discontinued operations	$ 1,234	$ —
Tax payments, net of refunds - continuing operations	$ 1,785	$ 209

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, net of tax, are as follows (in thousands):

	Postretirement Benefits	Proportionate Share of Telesat Other Comprehensive Loss	Accumulated Other Comprehensive Loss
Balance at January 1, 2014	$ (9,171)	$ (11,745)	$ (20,916)
Other comprehensive loss before reclassification	(5,147)	(3,494)	(8,641)
Amounts reclassified from accumulated other comprehensive loss	336	—	336
Net current-period other comprehensive loss	(4,811)	(3,494)	(8,305)
Balance at December 31, 2014	(13,982)	(15,239)	(29,221)
Amounts reclassified from accumulated other comprehensive loss	664	—	664
Net current-period other comprehensive income	664	—	664
Balance at September 30, 2015	$ (13,318)	$ (15,239)	$ (28,557)

The components of other comprehensive (loss) income and related tax effects are as follows (in thousands):

	Three Months Ended September 30,					
	2015			2014		
	Before-Tax Amount	Tax (Provision) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax Provision	Net-of-Tax Amount
Amortization of prior service credits and net actuarial loss	$205 (a)	$ (76)	$ 129	$130 (a)	$ (49)	$ 81
Proportionate share of Telesat Holdco other comprehensive (loss) income	(1,318)	491	(827)	2,334	(872)	1,462
Other comprehensive (loss) income	$(1,113)	$ 415	$ (698)	$2,464	$ (921)	$ 1,543

	Nine Months Ended September 30,					
	2015			2014		
	Before-Tax Amount	Tax Provision	Net-of-Tax Amount	Before-Tax Amount	Tax Provision	Net-of-Tax Amount
Settlement and amortization of prior service credits and net actuarial loss	$1,058 (a)	$ (394)	$ 664	$336 (a)	$ (126)	$ 210
Proportionate share of Telesat Holdco other comprehensive income	—	—	—	3,815	(1,433)	2,382
Other comprehensive income	$1,058	$ (394)	$ 664	$4,151	$ (1,559)	$ 2,592

(a) Reclassifications are included in general and administrative expenses.

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. Receivables

In connection with the Sale, Loral received a three-year promissory note in the principal amount of $101 million (the "Land Note"). Loral received principal payments under the Land Note of $33.7 million and $67.3 million on March 31, 2015 and 2014, respectively. Interest on the Land Note ranged from 1.0% to 1.5%. All amounts due under the Land Note had been received as of March 31, 2015.

5. Investments in Affiliates

Investments in affiliates consist of (in thousands):

	September 30, 2015	December 31, 2014
Telesat Holdings Inc.	$ —	$ 74,329
XTAR, LLC	14,559	30,463
	$ 14,559	$ 104,792

Equity in net (loss) income of affiliates consists of (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Telesat Holdings Inc.	$ (27,913)	$ (17,240)	$ (74,329)	$ 48,226
XTAR, LLC	(10,562)	(2,043)	(15,904)	(5,315)
	$ (38,475)	$ (19,283)	$ (90,233)	$ 42,911

Telesat

As of December 31, 2014 and September 30, 2015, we held a 62.8% economic interest and a 32.7% voting interest in Telesat. We use the equity method of accounting for our majority economic interest in Telesat because we own 32.7% of the voting stock and do not exercise control by other means to satisfy the U.S. GAAP requirement for treatment as a consolidated subsidiary. We have also concluded that Telesat is not a variable interest entity for which we are the primary beneficiary. Loral's equity in net income or loss of Telesat is based on our proportionate share of Telesat's results in accordance with U.S. GAAP and in U.S. dollars. Our proportionate share of Telesat's net income or loss is based on our economic interest as our holdings consist of common stock and non-voting participating preferred shares that have all the rights of common stock with respect to dividends, return of capital and surplus distributions, but have no voting rights.

As of September 30, 2015, primarily as a result of foreign exchange losses, our share of Telesat's losses exceeded our recorded cumulative equity in net income of Telesat and our initial investment by $37.4 million. In following the equity method of accounting, our investment balance in Telesat was reduced to zero as of September 30, 2015. In addition, for the nine months ended September 30, 2015, we did not record our equity of $13.8 million in Telesat's other comprehensive income.

Our statements of operations and comprehensive (loss) income for the three months ended September 30, 2015 and 2014 included equity in net loss of affiliates of $(3.5) million and $(1.5) million, respectively, and other comprehensive income of $5.3 million and $1.5 million, respectively, and for the nine months ended September 30, 2015 and 2014 included equity in net (loss) income of affiliates of $(3.5) million and $0.3 million, respectively, and other comprehensive income of $5.3 million and $0.4 million, respectively, that should have been recognized in prior periods. These adjustments, which related to our investment in Telesat, consisted primarily of foreign exchange gains and losses. The Company has not revised previous financial statements for these adjustments based on its belief that the effect of such adjustments is not material to the financial statements taken as a whole.

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The ability of Telesat to pay dividends or certain other restricted payments as well as consulting fees in cash to Loral is governed by applicable covenants in Telesat's debt and shareholder agreements. Under Telesat's credit agreement and the indenture for Telesat's 6% senior notes, dividends or certain other restricted payments may be paid only if there is a sufficient capacity under a restricted payment basket, which is based on a formula of cumulative consolidated EBITDA less 1.4 times cumulative consolidated interest expense. Under the 6% senior note indenture and credit agreement, Telesat is generally permitted to pay consulting fees to Loral in cash. Our general and administrative expenses are net of income related to consulting fees of $1.25 million for each of the three month periods ended September 30, 2015 and 2014 and $3.8 million for each of the nine month periods ended September 30, 2015 and 2014. For each of the nine month periods ended September 30, 2015 and 2014, Loral received payments in cash from Telesat, net of withholding taxes, of $3.6 million for consulting fees.

The contribution of Loral Skynet, a wholly owned subsidiary of Loral prior to its contribution to Telesat in 2007, was recorded by Loral at the historical book value of our retained interest combined with the gain recognized on the contribution. However, the contribution was recorded by Telesat at fair value. Accordingly, the amortization of Telesat fair value adjustments applicable to the Loral Skynet assets and liabilities is proportionately eliminated in determining our share of the net income or losses of Telesat. Our equity in net income or loss of Telesat also reflects amortization of profits eliminated, to the extent of our economic interest in Telesat, on satellites we constructed for Telesat while we owned SS/L and on Loral's sale to Telesat in April 2011 of its portion of the payload on the ViaSat-1 satellite and related assets.

In connection with the acquisition of our ownership interest in Telesat in 2007, Loral retained the benefit of tax recoveries related to transferred assets and indemnified Telesat ("Telesat Indemnification") for certain liabilities including Loral Skynet's tax liabilities arising prior to January 1, 2007. During the three months ended March 31, 2014, Loral and Telesat settled several of the Telesat Indemnification tax disputes (see Note 15) resulting in a net cash recovery of $5.4 million which was received from Telesat in April 2014. Our investment in Telesat was reduced by $5.0 million as a result of this recovery.

The following table presents summary financial data for Telesat in accordance with U.S. GAAP, for the three and nine months ended September 30, 2015 and 2014 and as of September 30, 2015 and December 31, 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014

Statement of Operations Data:				
Revenues	$187,937	$210,163	$557,313	$636,552
Operating expenses	(34,032)	(42,827)	(102,918)	(122,402)
Depreciation, amortization and stock-based compensation	(46,239)	(58,955)	(145,067)	(175,713)
Loss on disposition of long lived assets	(7)	(164)	(28)	(226)
Operating income	107,659	108,217	309,300	338,211
Interest expense	(34,533)	(47,573)	(104,804)	(142,589)
Foreign exchange loss	(164,235)	(96,093)	(333,076)	(105,177)
Gain on financial instruments	2,968	15,146	4,164	31,517
Other income	857	841	2,232	3,007
Income tax provision	(16,289)	(7,484)	(54,368)	(46,640)
Net income (loss)	$(103,573)	$(26,946)	$(176,552)	$78,329

	September 30, 2015	December 31, 2014
Balance Sheet Data:		
Current assets	$ 599,482	$ 497,287
Total assets	4,086,689	4,552,613
Current liabilities	185,420	227,200
Long-term debt, including current portion	2,997,755	3,102,635
Total liabilities	3,677,756	3,921,887
Shareholders' equity	408,933	630,726

Telesat had capital expenditures of $57.0 million and $59.8 million for the nine months ended September 30, 2015 and 2014, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

XTAR

We own 56% of XTAR, a joint venture between us and Hisdesat Servicios Estrategicos, S.A. ("Hisdesat") of Spain. We account for our ownership interest in XTAR under the equity method of accounting because we do not control certain of its significant operating decisions.

XTAR owns and operates an X-band satellite, XTAR-EUR, located at 29° E.L., which 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. XTAR also leases 7.2 72MHz X-band transponders on the Spainsat satellite located at 30° W.L., owned by Hisdesat. These transponders, designated as XTAR-LANT, provide capacity to XTAR for additional X-band services and greater coverage and flexibility.

We regularly evaluate our investment in XTAR to determine whether there has been a decline in fair value that is other-than-temporary. During the fourth quarter of 2014, we recorded a non-cash impairment charge of $18.7 million related to a decline in fair value of our investment that was determined to be other-than-temporary. We recorded an additional non-cash impairment charge of approximately $8 million during the three months ended September 30, 2015, primarily as a result of an increase in the discount rate used to value our investment in XTAR. A decline in XTAR's projected revenues or increase in the discount rate used in estimating the fair value of our investment in XTAR may result in a future impairment charge.

XTAR's lease obligation to Hisdesat for the XTAR-LANT transponders (the "Lease Obligation") requires payments by XTAR of $26 million in 2015, 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. Under this lease agreement, Hisdesat may also be entitled under certain circumstances to a share of the revenues generated on the XTAR-LANT transponders. In March 2009, XTAR entered into an agreement with Hisdesat pursuant to which the past due balance on XTAR-LANT transponders of $32.3 million as of December 31, 2008, together with a deferral of $6.7 million in payments due in 2009, is payable to Hisdesat over 12 years through annual payments of $5 million (the "Catch Up Payments"). XTAR has a right to prepay, at any time, all unpaid Catch Up Payments discounted at 9%. Cumulative amounts paid to Hisdesat for Catch-Up Payments through September 30, 2015 were $29.2 million. As of September 30, 2015 and December 31, 2014, XTAR had past-due liabilities to Hisdesat of $14.5 million and $5.4 million, respectively, for a portion of the Lease Obligation and the Catch-Up Payments. XTAR has also agreed that XTAR's excess cash balance (as defined) will be applied towards making limited payments on future lease obligations, as well as payments of other amounts owed to Hisdesat, Telesat and Loral for services provided by them to XTAR (see Note 15). The ability of XTAR to

pay dividends and management fees in cash to Loral is governed by XTAR's operating agreement.

The following table presents summary financial data for XTAR for the three and nine months ended September 30, 2015 and 2014 and as of September 30, 2015 and December 31, 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Statement of Operations Data:				
Revenues	$ 6,552	$ 6,642	$ 19,249	$ 22,363
Operating expenses	(8,079)	(7,717)	(24,185)	(23,530)
Depreciation and amortization	(2,190)	(2,314)	(6,682)	(6,943)
Operating loss	(3,717)	(3,389)	(11,618)	(8,110)
Net loss	(5,177)	(3,758)	(14,444)	(9,822)

	September 30, 2015	December 31, 2014
Balance Sheet Data:		
Current assets	$ 7,050	$ 4,992
Total assets	46,501	53,508
Current liabilities	38,453	28,585
Total liabilities	65,994	59,342
Members' equity	(19,493)	(5,834)

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other

As of September 30, 2015 and December 31, 2014, the Company held various indirect ownership interests in two foreign companies that currently serve as exclusive service providers for Globalstar service in Mexico and Russia. The Company accounts for these ownership interests using the equity method of accounting. Loral has written-off its investments in these companies, and, because we have no future funding requirements relating to these investments, there is no requirement for us to provide for our allocated share of these companies' net losses.

6. Other Current Liabilities

Other current liabilities consists of (in thousands):

	September 30, 2015	December 31, 2014
SS/L indemnification liability relating to ViaSat Suit settlement (see Note 14)	$ 10,551	$ 10,081
Accrued professional fees	1,170	1,849
Pension and other postretirement liabilities	—	526
Deferred tax liability	—	416
Other	378	552
	$ 12,099	$ 13,424

7. Income Taxes

The following summarizes our income tax benefit (provision) on the loss from continuing operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014

Total current income tax provision	$ (517)	$ (4,233)	$ (2,347)	$ (5,005)
Total deferred income tax benefit (provision)	37,451	(721)	33,248	(20,101)
Income tax benefit (provision)	$ 36,934	$ (4,954)	$ 30,901	$ (25,106)

At September 30, 2015, income tax refund receivable on our condensed consolidated balance sheet included $2.1 million from the carryback of our tax loss from 2014 against taxes previously paid for 2012. We expect to receive this tax refund in 2016.

Subsequent to the Sale, to the extent that profitability from operations is not sufficient to realize the benefit from our remaining net deferred tax assets, we would generate sufficient taxable income from the appreciated value of our Telesat investment, which currently has a nominal tax basis, in order to prevent federal net operating losses from expiring and realize the benefit of all remaining deferred tax assets.

The following summarizes amounts for uncertain tax positions (“UTPs”) included in our income tax benefit (provision) (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Current provision for UTPs	$ (507)	$ (602)	$ (784)	$ (207)
Deferred benefit for UTPs	187	147	244	145
Tax provision for UTPs	$ (320)	$ (455)	$ (540)	$ (62)

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

As of September 30, 2015, we had unrecognized tax benefits relating to UTPs of $78 million. Pursuant to the Purchase Agreement for the Sale, we are obligated to indemnify SS/L for taxes related to periods prior to the closing of the transaction. The Company recognizes interest and penalties related to income taxes in income tax expense on a quarterly basis. As of September 30, 2015, we have accrued approximately $7.3 million and $7.7 million for the payment of potential tax-related interest and penalties, respectively.

The Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years prior to 2007. In addition, the statute of limitations for assessment of additional tax has expired with regard to the Company's federal income tax returns filed for 2008, 2009, 2010 and 2011 and state and local income tax returns filed for 2008 and 2009. Earlier years related to certain foreign jurisdictions remain subject to examination. Various federal, state and foreign income tax returns are currently under examination. However, to the extent allowed by law, the tax authorities may have the right to examine prior periods where net operating losses were generated and carried forward, and make adjustments up to the amount of the net operating loss carryforward. While we intend to contest any future tax assessments for UTPs, no assurance can be provided that we would ultimately prevail. During the next twelve months, the statute of limitations for assessment of additional tax will expire with regard to certain UTPs related to our federal income tax returns filed for 2007 and 2012 and state income tax returns filed for 2007, 2010 and 2011, potentially resulting in a $33.7 million reduction to our unrecognized tax benefits.

The following summarizes the changes to our liabilities for UTPs included in long-term liabilities in the condensed consolidated balance sheets (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Liabilities for UTPs:		
Opening balance — January 1	$ 77,133	$ 79,688
Current provision (benefit) for:		
Unrecognized tax benefits	—	(622)
Potential additional interest	1,695	1,813
Potential penalty adjustment	—	(425)
Statute expirations	(174)	(559)
Tax settlements	(737)	—
Ending balance	$ 77,917	$ 79,895

As of September 30, 2015, if our positions are sustained by the taxing authorities, the Company's income tax provision from continuing operations would be reduced by approximately $36.3 million. Other than as described above, there were no significant changes to our UTPs during the nine months ended September 30, 2015 and 2014, and we do not anticipate any other significant changes to our unrecognized tax benefits during the next twelve months.

8. Long-Term Liabilities

Long-term liabilities consists of (in thousands):

	September 30, 2015	December 31, 2014
SS/L indemnification liability relating to ViaSat Suit settlement (see Note 14)	$ 5,455	$ 13,242
Indemnification liabilities - other (see Note 14)	924	972
Deferred tax liability	-	815
Liabilities for uncertain tax positions	77,917	77,133
Other	306	307
	$ 84,602	$ 92,469

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. Shareholders' Equity

Treasury Stock

In November 2011, our Board of Directors authorized the purchase of up to 800,000 shares of our voting common stock. These purchases may be made from time to time in the open market or private transactions, as conditions may warrant. We intend to hold repurchased shares of our voting common stock in treasury. We account for the treasury shares using the cost method. During 2011 and 2012, Loral repurchased 154,494 shares of its voting common stock at an average price of $62.04 per share for an aggregate amount of $9.6 million under the November 2011 share purchase program.

10. Stock-Based Compensation

Stock Plans

The Loral amended and restated 2005 stock incentive plan (the "Stock Incentive Plan") allows for the grant of several forms of stock-based compensation awards including stock options, stock appreciation rights, restricted stock, restricted stock units, stock bonuses and other stock-based awards (collectively, the "Awards"). The total number of shares of voting common stock reserved and available for issuance under the Stock Incentive Plan is 1,390,880 shares of which 1,315,618 were available for future grant at September 30, 2015. This number of shares of voting common stock available for issuance would be reduced if restricted stock units are settled in voting common stock rather than in cash. In addition, shares of common stock that are issuable under awards that expire, are forfeited or canceled, or withheld in payment of the exercise price or taxes relating to an Award, will again be available for Awards under the Stock Incentive Plan.

11. Earnings Per Share

Telesat has awarded employee stock options, which, if exercised, would result in dilution of Loral's ownership interest in Telesat to approximately 62.0%. The following table presents the dilutive impact of Telesat stock options on Loral's reported income from continuing operations for the purpose of computing diluted earnings per share (in thousands):

	Nine Months Ended September 30, 2014
Income from continuing operations — basic	$ 12,304
Less: Adjustment for dilutive effect of Telesat stock options	(615)
Income from continuing operations — diluted	$ 11,689

Telesat stock options are excluded from the calculation of diluted loss per share for the three months ended September 30, 2015 and 2014, and nine months ended September 30, 2015 as the effect would be antidilutive.

Basic income per share is computed based upon the weighted average number of shares of voting and non-voting common stock outstanding. The following is the computation of common shares outstanding for diluted earnings per share (in thousands):

	Nine Months Ended September 30, 2014
Weighted average common shares outstanding	30,920
Unconverted restricted stock units	84
Common shares outstanding for diluted earnings per share	31,004

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the three months ended September 30, 2015 and 2014, and nine months ended September 30, 2015, the following unconverted restricted stock units are excluded from the calculation of diluted loss per share as the effect would have been antidilutive (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,
	2015	2014	2015
Unconverted restricted stock units	75	84	78

12. Pensions and Other Employee Benefit Plans

The following tables provide the components of net periodic cost included in general and administrative expenses for our qualified retirement plan (the "Pension Benefits") and health care and life insurance benefits for retired employees and dependents (the "Other Benefits") for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Pension Benefits Three Months Ended September 30,		Other Benefits Three Months Ended September 30,	
	2015	2014	2015	2014
Service cost	$ 128	$ 59	$ —	$ 1
Interest cost	474	474	6	17
Expected return on plan assets	(526)	(464)	—	—
Amortization of net actuarial loss	199	121	3	7
Amortization of prior service credits	—	—	3	2
Net periodic cost	$ 275	$ 190	$ 12	$ 27

	Pension Benefits Nine Months Ended September 30,		Other Benefits Nine Months Ended September 30,	
	2015	2014	2015	2014
Service cost	$ 384	$ 141	$ 1	$ 2
Interest cost	1,422	1,411	33	52
Expected return on plan assets	(1,580)	(1,411)	—	—

Recognition due to settlement	—	—	428	—
Amortization of net actuarial loss	597	307	25	22
Amortization of prior service credits	—	—	8	7
Net periodic cost	$ 823	$ 448	$ 495	$ 83

Effective January 1, 2015, retiree medical coverage for retirees age 65 or over and their dependents was discontinued. In January 2015, the Company made discretionary one-time payments to retirees affected to assist them in purchasing alternate coverage. In August 2015, the Company made discretionary one-time payments of $0.8 million to other participants to settle the remaining liability for retiree medical coverage applicable to benefits at age 65 and later. The effect on postretirement benefit expense for the nine months ended September 30, 2015 of the one-time payments to participants is included in the table above as recognition due to settlement.

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. Financial Instruments, Derivative Instruments and Hedging

Financial Instruments

The carrying amount of cash equivalents approximates fair value because of the short maturity of those instruments. The carrying amount of the Land Note, prior to its repayment in full on March 31, 2015, approximated fair value because the stated interest rate was consistent with current market rates.

Foreign Currency

We are subject to the risks associated with fluctuations in foreign currency exchange rates. To limit this foreign exchange rate exposure, we attempt to denominate all contracts in U.S. dollars. Where appropriate, derivatives are used to minimize the risk of foreign exchange rate fluctuations to operating results and cash flows. We do not use derivative instruments for trading or speculative purposes.

Derivatives and Hedging Transactions

There were no derivative instruments as of September 30, 2015 and December 31, 2014.

14. Commitments and Contingencies

Financial Matters

In the fourth quarter of 2012, we sold our former subsidiary, SS/L, to MDA pursuant to the Purchase Agreement. Under the terms of the Purchase Agreement, we are obligated to indemnify MDA from (1) liabilities with respect to certain pre-closing taxes; and (2) certain litigation costs and litigation damages relating to the ViaSat Suit. Our condensed consolidated balance sheets include an indemnification refund receivable of $0.9 million and $0.4 million as of September 30, 2015 and December 31, 2014, respectively. This receivable represents payments to date net of the estimated fair value of the liability for our indemnification for pre-closing taxes. The final amounts for indemnification claims related to pre-closing taxes have not yet been determined. Where appropriate, we intend vigorously to contest the underlying tax assessments, but there can be no assurance that we will be successful. Although no assurance can be provided, we do not believe that these tax-related matters will have a material adverse effect on our financial position or results of operations. For a discussion of the ViaSat Suit and our indemnification obligations related thereto, see Legal Proceedings, below.

In connection with the sale in 2008 by Loral and certain of its subsidiaries and DASA Globalstar LLC to Globalstar Inc. of their respective interests in GdB, the Globalstar Brazilian service provider, Loral agreed to indemnify Globalstar Inc. and GdB for certain GdB pre-closing liabilities, primarily related to Brazilian taxes. Our condensed consolidated balance sheets include liabilities of $0.9 million and $1.0 million as of September 30, 2015 and December 31, 2014, respectively, for indemnification liabilities relating to the sale of GdB.

See Note 15— Related Party Transactions — Transactions with Affiliates — Telesat for commitments and contingencies relating to our agreement to indemnify Telesat for certain liabilities and our arrangements with ViaSat and Telesat.

Legal Proceedings

ViaSat

Under the terms of the Purchase Agreement, Loral agreed to indemnify SS/L from certain damages in the ViaSat Suit brought in 2012 by ViaSat against Loral and SS/L. In September 2014, Loral, SS/L and ViaSat entered into the Settlement Agreement pursuant to which the ViaSat Suit and an additional patent infringement and breach of contract lawsuit brought by ViaSat against SS/L in September 2013 were settled. Loral was also released by MDA, MDA Holdings and SS/L from indemnification claims relating to the ViaSat lawsuits under the Purchase Agreement.

The terms of the Settlement Agreement provide, among other things, for payment by Loral and SS/L to ViaSat on a joint and several basis of $100 million, $40 million of which was paid in September 2014 in connection with entering into the Settlement Agreement, with the remaining $60 million payable with interest in ten equal quarterly installments of $6.9 million from October 15, 2014 through January 15, 2017. As of September 30, 2015 and December 31, 2014, the total principal and interest accrued amount payable by Loral and SS/L to ViaSat, on a joint and several basis, was $38.3 million and $55.2 million, respectively.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Following a mediation session held on December 1, 2014, Loral and MDA entered into the Allocation Agreement, pursuant to which Loral and MDA agreed that Loral will be responsible for $45 million, and MDA and SS/L will be responsible for $55 million, of the $100 million litigation settlement with ViaSat.

As of September 30, 2015, Loral has paid $29.2 million toward the ViaSat settlement. Pursuant to the Allocation Agreement, Loral paid ViaSat $2.8 million in October 2015 and is obligated to make five additional equal quarterly payments to ViaSat through January 2017 totaling $14.0 million inclusive of interest at 3.25% per year. Our condensed consolidated balance sheets as of September 30, 2015 and December 31, 2014 include indemnification liabilities related to ViaSat Settlement Agreement of $16.0 million and $23.3 million, respectively. Because the payment obligations to ViaSat are joint and several, if MDA and SS/L were to default on all or part of their payment obligations to ViaSat, Loral would be obligated to pay ViaSat any amounts not paid by MDA and SS/L.

Other Litigation

We are not currently subject to any legal proceedings that, if decided adversely, could have a material adverse effect on our financial position or results of operations. In the future, however, we may become subject to legal proceedings and claims, either asserted or unasserted, that may arise in the ordinary course of business or otherwise.

15. Related Party Transactions

MHR Fund Management LLC

Mark H. Rachesky, President of MHR Fund Management LLC (“MHR”), and Janet T. Yeung, a principal and the General Counsel of MHR, are members of Loral’s board of directors. Hal Goldstein, a former managing principal of MHR, was a member of the Loral Board until May 2015.

Various funds affiliated with MHR and Dr. Rachesky held, as of September 30, 2015 and December 31, 2014, approximately 38.0% of the outstanding voting common stock and 57.1% of the combined outstanding voting and non-voting common stock of Loral.

Transactions with Affiliates

Telesat

As described in Note 5, we own 62.8% of Telesat and account for our ownership interest under the equity method of accounting.

In connection with the acquisition of our ownership interest in Telesat (which we refer to as the Telesat transaction), Loral and certain of its subsidiaries, our Canadian co-owner, Public Sector Pension Investment Board ("PSP") and one of its subsidiaries, Telesat Holdco and certain of its subsidiaries, including Telesat, and MHR entered into a Shareholders Agreement (the "Shareholders Agreement"). The Shareholders Agreement provides for, among other things, the manner in which the affairs of Telesat Holdco and its subsidiaries will be conducted and the relationships among the parties thereto and future shareholders of Telesat Holdco. The Shareholders Agreement also contains an agreement by Loral not to engage in a competing satellite communications business and agreements by the parties to the Shareholders Agreement not to solicit employees of Telesat Holdco or any of its subsidiaries. Additionally, the Shareholders Agreement details the matters requiring the approval of the shareholders of Telesat Holdco (including veto rights for Loral over certain extraordinary actions) and provides for preemptive rights for certain shareholders upon the issuance of certain capital shares of Telesat Holdco. The Shareholders Agreement also (i) restricts the ability of holders of certain shares of Telesat Holdco to transfer such shares unless certain conditions are met or approval of the transfer is granted by the directors of Telesat Holdco, (ii) provides for a right of first offer to certain Telesat Holdco shareholders if a holder of equity shares of Telesat Holdco wishes to sell any such shares to a third party and (iii) provides for, in certain circumstances, tag-along rights in favor of shareholders that are not affiliated with Loral if Loral sells equity shares and drag-along rights in favor of Loral in case Loral or its affiliate enters into an agreement to sell all of its Telesat Holdco equity securities.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

In addition, the Shareholders Agreement provides for either PSP or Loral to initiate the process of conducting an initial public offering of the equity shares of Telesat Holdco (a "Telesat IPO"). In connection with our exploration of strategic initiatives to alter the status quo in our ownership of Telesat Holdco, in July 2015, we exercised our rights under the Shareholders Agreement to require Telesat Holdco to conduct a Telesat IPO. Specifically, we requested that Telesat Holdco issue not more than 25 million newly issued shares of Telesat Holdco voting common stock. We also requested the termination of the Shareholders Agreement and the elimination of certain provisions in Telesat Holdco's Articles of Incorporation, both of which we believe are necessary to accommodate a successful public offering. If those provisions are eliminated, an impediment to the conversion of our non-voting Telesat Holdco shares to voting shares would be eliminated. Termination or modification of the Shareholders Agreement and conversion of our non-voting shares to voting shares would enable us, after the Telesat IPO and subject to the receipt of any necessary regulatory approvals, to obtain majority voting control of Telesat Holdco. Telesat Holdco is working to implement the Telesat IPO, and we are in discussions with PSP to attempt to agree on our requests regarding the Shareholders Agreement and Telesat Holdco's Articles of Incorporation. If we are unable to reach agreement with PSP on these matters, the advice of the lead underwriter selected for the Telesat IPO will be sought to assist resolution. There can be no assurance as to whether, when or on what terms the Telesat IPO, termination or modification of the Shareholders Agreement or any requested changes to Telesat Holdco's Articles of Incorporation may occur. If the Telesat IPO proceeds in a manner contrary to our requests we will consider options for enforcing our rights, and if the price or other terms of a Telesat IPO are not acceptable to us we may withdraw our demand for a Telesat IPO. There can be no assurance that any strategic initiatives or transaction involving Telesat, Telesat Holdco or Loral may occur, or that any particular economic, tax, structural or other objectives or benefits with respect to any initiative or transaction involving Telesat, Telesat Holdco or Loral's interest therein will be achieved.

Under the Shareholders Agreement, in the event that, except in certain limited circumstances, either (i) ownership or control, directly or indirectly, by Dr. Rachesky of Loral's voting stock falls below certain levels other than in connection with certain specified circumstances, including an acquisition by a Strategic Competitor (as defined in the Shareholders Agreement) 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 without the approval of the incumbent directors, Loral will lose its veto rights relating to certain extraordinary actions by Telesat Holdco and its subsidiaries. In addition, after either of these events, PSP will have certain rights to enable it to exit from its investment in Telesat Holdco, including a right to cause Telesat Holdco 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 Holdco, to cause the sale of Telesat Holdco and to drag along the other shareholders in such sale, subject to Loral's right to call PSP's shares at fair market value.

The Shareholders Agreement provides for a board of directors of each of Telesat Holdco and certain of its subsidiaries, including Telesat, consisting of 10 directors, three nominated by Loral, three nominated by PSP and four independent directors to be selected by a nominating committee comprised of one PSP nominee, one nominee of Loral

and one of the independent directors then in office. Each party to the Shareholders Agreement is obligated to vote all of its Telesat Holdco shares for the election of the directors nominated by the nominating committee. Pursuant to action by the board of directors taken on October 31, 2007, Dr. Rachesky, who is non-executive Chairman of the Board of Directors of Loral, was appointed non-executive Chairman of the Board of Directors of Telesat Holdco and certain of its subsidiaries, including Telesat. In addition, Michael B. Targoff, Loral's Vice Chairman, serves on the board of directors of Telesat Holdco and certain of its subsidiaries, including Telesat.

On October 31, 2007, Loral and Telesat entered into a consulting services agreement (the "Consulting Agreement"). Pursuant to the terms of the Consulting Agreement, Loral provides to Telesat certain non-exclusive consulting services in relation to the business of Loral Skynet which was transferred to Telesat as part of the Telesat transaction as well as with respect to certain aspects of the satellite communications business of Telesat. The Consulting Agreement has a term of seven years with an automatic renewal for an additional seven year term if Loral is not then in material default under the Shareholders Agreement. Upon expiration of the initial term on October 31, 2014, the Consulting Agreement was automatically renewed for the additional seven year term. In exchange for Loral's services under the Consulting Agreement, Telesat pays Loral an annual fee of $5.0 million, payable quarterly in arrears on the last day of March, June, September and December of each year during the term of the Consulting Agreement. If the terms of Telesat's bank or bridge facilities or certain other debt obligations prevent Telesat from paying such fees in cash, Telesat may issue junior subordinated promissory notes to Loral in the amount of such payment, with interest on such promissory notes payable at the rate of 7% per annum, compounded quarterly, from the date of issue of such promissory note to the date of payment thereof. Our general and administrative expenses are net of income related to the Consulting Agreement of $1.25 million for each of the three month periods ended September 30, 2015 and 2014 and $3.8 million for each of the nine month periods ended September 30, 2015 and 2014. For each of the nine month periods ended September 30, 2015 and 2014, Loral received payments in cash from Telesat, net of withholding taxes, of $3.6 million for consulting fees. We had no notes receivable from Telesat as of September 30, 2015 and December 31, 2014 related to the Consulting Agreement.

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

The Telesat Indemnification (as defined in Note 5 above) includes certain tax disputes currently under review in various jurisdictions including Brazil. The Brazilian tax authorities challenged Loral Skynet's historical characterization of its revenue generated in Brazil for the years 2003 to 2006. Telesat received and challenged, on Loral Skynet's behalf, tax assessments from Brazil totaling approximately $7 million. The Company believes that Loral Skynet's filing position will ultimately be sustained requiring no payment under the Telesat Indemnification. In addition, the tax authority in Hong Kong had previously challenged Loral Skynet's and Telesat's offshore claim for exempt income for the years 1999 to 2009, issuing assessments which required Loral Skynet to deposit approximately $6.5 million of taxes in 2006 and 2007 in order to retain its right to appeal. During the first quarter of 2014, Loral's portion of this tax liability in Hong Kong and various other claims under the Telesat Indemnification were settled for approximately $1.1 million resulting in a cash recovery of $5.4 million which was received from Telesat in April 2014. There can be no assurance that there will be no future claims under the Telesat Indemnification related to tax disputes.

Loral, along with Telesat Holdco, Telesat, PSP and 4440480 Canada Inc., an indirect wholly-owned subsidiary of Loral (the "Special Purchaser"), entered into grant agreements (the "Grant Agreements") with certain executives of Telesat (each, a "Participant" and collectively, the "Participants"). Each of the Participants was, at the time, an executive of Telesat.

The Grant Agreements confirm grants of Telesat Holdco stock options (including tandem SAR rights) to the Participants and provide for certain rights, obligations and restrictions related to such stock options, which include, among other things: (w) the possible obligation of the Special Purchaser to purchase the shares in the place of Telesat Holdco should Telesat Holdco be prohibited by applicable law or under the terms of any credit agreement applicable to Telesat Holdco from purchasing such shares, or otherwise default on such purchase obligation, pursuant to the terms of the Grant Agreements; and (x) the obligation of the Special Purchaser to purchase shares upon exercise by Telesat Holdco of its call right under Telesat Holdco's Management Stock Incentive Plan in the event of a Participant's termination of employment; and, in the case of certain executives, (y) the right of each such Participant to require the Special Purchaser or Loral to purchase a portion of the shares in Telesat Holdco owned by him in the event of exercise after termination of employment to cover taxes that are greater than the minimum withholding amount; and (z) the right of each such Participant to require Telesat Holdco to cause the Special Purchaser or Loral to purchase a portion of the shares in Telesat Holdco owned by him, or that are issuable to him under Telesat Holdco's Management Stock Incentive Plan at the relevant time, in the event that more than 90% of Loral's common stock is acquired by an unaffiliated third party that does not also purchase all of PSP's and its affiliates' interest in Telesat Holdco.

The Grant Agreements further provide that, in the event the Special Purchaser is required to purchase shares, such shares, together with the obligation to pay for such shares, shall be transferred to a subsidiary of the Special Purchaser,

which subsidiary shall be wound up into Telesat Holdco, with Telesat Holdco agreeing to the acquisition of such subsidiary by Telesat Holdco from the Special Purchaser for nominal consideration and with the purchase price for the shares being paid by Telesat Holdco within ten (10) business days after completion of the winding-up of such subsidiary into Telesat Holdco.

ViaSat/Telesat

In connection with an agreement entered into between SS/L and ViaSat for the construction by SS/L for ViaSat of a high capacity broadband satellite called ViaSat-1, on January 11, 2008, we entered into certain agreements, pursuant to which we invested in the Canadian coverage portion of the ViaSat-1 satellite. Until his resignation in February 2012, Michael B. Targoff served, and another Loral director currently serves, as a member of the ViaSat Board of Directors.

On April 11, 2011, Loral assigned to Telesat and Telesat assumed from Loral all of Loral's rights and obligations with respect to the ViaSat-1 satellite payload providing coverage into Canada and all related agreements. Loral also assigned to Telesat and Telesat assumed Loral's 15-year contract with Xplornet Communications, Inc. ("Xplornet") (formerly known as Barrett Xplore Inc.) for delivery of high throughput satellite Ka-band capacity and gateway services for broadband services in Canada. In connection with the assignments, Loral is entitled to receive one-half of any net revenue earned by Telesat in connection with the leasing of certain supplemental capacity on the payload to its customers during the first four years after the commencement of service using the supplemental capacity. Under this arrangement, we earned approximately $0.2 million and $0.3 million for the three months ended September 30, 2015 and 2014, respectively, and $0.6 million and $0.8 million for the nine months ended September 30, 2015 and 2014, respectively. We had a receivable from Telesat of $0.2 million and $0.3 million as of September 30, 2015 and December 31, 2014, respectively, related to this arrangement.

LORAL SPACE & COMMUNICATIONS INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Other

As described in Note 5, we own 56% of XTAR, a joint venture between Loral and Hisdesat and account for our investment in XTAR under the equity method of accounting. SS/L constructed XTAR's satellite, which was successfully launched in February 2005. XTAR and Loral have entered into a management agreement whereby Loral provides general and specific services of a technical, financial and administrative nature to XTAR. For the services provided by Loral, XTAR, until December 31, 2013, was charged a quarterly management fee equal to 3.7% of XTAR's quarterly gross revenues. The amount due to Loral primarily due to the management agreement as of September 30, 2015 and December 31, 2014 was $6.8 million. Beginning in 2008, Loral and XTAR agreed to defer amounts owed to Loral under this agreement, and XTAR has agreed that its excess cash balance (as defined), will be applied at least quarterly towards repayment of receivables owed to Loral, as well as to Hisdesat and Telesat. No cash was received under this agreement for the nine months ended September 30, 2015 and 2014, and we had a full allowance against these receivables as of September 30, 2015 and December 31, 2014. Loral and Hisdesat have agreed to waive future management fees for an indefinite period starting January 1, 2014.

Consulting Agreement

On December 14, 2012, Loral entered into a consulting agreement with Michael B. Targoff, Vice Chairman of the Company and former Chief Executive Officer and President. Pursuant to this agreement, Mr. Targoff is engaged as a part-time consultant to the Board to assist the Board with respect to the oversight of strategic matters relating to Telesat and XTAR and the ViaSat Suit. Under the agreement, Mr. Targoff receives consulting fees of $120,000 per month and reimburses the Company for certain expenses. During the three and nine months ended September 30, 2015, Mr. Targoff earned $360,000 and $1,080,000, respectively, and reimbursed Loral net expenses of $15,750 and $47,250, respectively, and during the three and nine months ended September 30, 2014, he earned $360,000 and $1,080,000, respectively, and reimbursed Loral net expenses of $51,000 and $153,000, respectively.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis should be read in conjunction with our unaudited condensed consolidated financial statements (the "financial statements") included in Item 1 and our latest Annual Report on Form 10-K filed with the Securities and Exchange Commission.

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Loral Space & Communications Inc., a Delaware corporation, together with its subsidiaries ("Loral," the "Company," "we," "our," and "us") is a leading satellite communications company engaged, through our ownership interests in affiliates, in satellite-based communications services.

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.

Overview

Business

Loral has one operating segment consisting of satellite based communications services. Loral participates in satellite services operations through its ownership interest in Telesat Holdings Inc. ("Telesat Holdco") which owns Telesat Canada ("Telesat"), 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.

Loral holds a 62.8% economic interest and a 32.7% voting interest in Telesat Holdco, the world's fourth largest satellite operator with approximately $3.4 billion of backlog as of September 30, 2015.

At September 30, 2015, Telesat provided satellite services to customers from its fleet of 14 in-orbit satellites. In addition, Telesat owns the Canadian payload on the ViaSat-1 satellite and has another satellite, Telstar 12 VANTAGE, expected to be launched in the fourth quarter of 2015.

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 are 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.

Telesat's orbital locations, commitment to customer service, technical expertise and innovation have enabled it to successfully develop its business to date. Leveraging these strengths and building on its existing contractual revenue backlog, Telesat's focus is on profitably growing its business by increasing the utilization of its in-orbit satellites and the planned Telstar 12 VANTAGE satellite (which is expected to be launched in the fourth quarter of 2015) and deploying expansion satellite capacity where Telesat anticipates there will be strong market demand.

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.

Telesat anticipates that the relatively fixed cost nature of the business, combined with increasing demand for satellite services, will over time produce growth in operating income and cash flow.

For the remainder of 2015, Telesat will remain focused on: increasing utilization on its existing satellites; the launch of Telstar 12 VANTAGE; identifying and pursuing opportunities to expand its satellite fleet; and maintaining operating discipline.

Telesat’s operating results are subject to fluctuations as a result of exchange rate variations. For the nine months ended September 30, 2015, approximately 51% of Telesat’s revenues, 41% of its operating expenses, 86% of its interest expense, and the majority of its 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. As of September 30, 2015, Telesat’s U.S. dollar denominated debt totaled $2.6 billion. As of September 30, 2015, the effect of a five percent increase (decrease) in the value of the Canadian dollar against the U.S. dollar on financial assets and liabilities of Telesat would have increased (decreased) Telesat’s net income by approximately $116 million. This analysis assumes all other variables, in particular interest rates, remain constant.

Sale of SS/L

On November 2, 2012, Loral completed the sale (the "Sale") of its wholly-owned subsidiary, Space Systems/Loral, LLC (formerly known as Space Systems/Loral, Inc. ("SS/L")), to MDA Communications Holdings, Inc. ("MDA Holdings"), a subsidiary of MacDonald, Dettwiler and Associates Ltd. ("MDA"). Pursuant to the purchase agreement (the "Purchase Agreement"), dated as of June 26, 2012, as amended on October 30, 2012 and March 28, 2013, by and among Loral, SS/L, MDA and MDA Holdings, Loral agreed to indemnify SS/L from certain damages in a lawsuit (the "ViaSat Suit") brought in 2012 by ViaSat, Inc. ("ViaSat") against Loral and SS/L. On September 5, 2014, Loral, SS/L and ViaSat entered into a settlement agreement (the "Settlement Agreement") pursuant to which the ViaSat Suit and an additional patent infringement and breach of contract lawsuit brought by ViaSat against SS/L in September 2013 were settled. Loral was also released by MDA, MDA Holdings and SS/L from indemnification claims relating to the ViaSat lawsuits under the Purchase Agreement. The terms of the Settlement Agreement provide, among other things, for payment by Loral and SS/L to ViaSat on a joint and several basis of $100 million, $40 million of which was paid in September 2014 in connection with entering into the Settlement Agreement, with the remaining $60 million payable with interest in ten equal quarterly installments of $6.9 million from October 15, 2014 through January 15, 2017. As of September 30, 2015 and December 31, 2014, the total principal and accrued interest amount payable by Loral and SS/L to ViaSat, on a joint and several basis, was $38.3 million and $55.2 million, respectively.

Following a mediation session held on December 1, 2014, Loral and MDA entered into an agreement titled "MDA/Loral Dispute Resolution" dated December 1, 2014 (the "Allocation Agreement"), pursuant to which Loral and MDA agreed that Loral will be responsible for $45 million, and MDA and SS/L will be responsible for $55 million, of the $100 million litigation settlement with ViaSat.

As of September 30, 2015, Loral has paid $29.2 million toward the ViaSat settlement. Pursuant to the Allocation Agreement, Loral paid ViaSat $2.8 million in October 2015 and is obligated to make five additional equal quarterly payments to ViaSat through January 2017 totaling $14.0 million inclusive of interest at 3.25% per year (see Note 14 to the financial statements).

General

Our principal asset is our majority ownership interest in Telesat Holdco. In an effort to maximize shareholder value, we have been exploring potential strategic initiatives with respect to that interest. The initiative to monetize our interest in Telesat Holdco through the sale of Loral terminated earlier this year. While we remain interested in a sale transaction, in our continued efforts to maximize shareholder value, we have been exploring other potential strategic initiatives to alter the status quo in our ownership of Telesat Holdco. In connection with these initiatives, in July 2015, we exercised our rights under the Telesat Holdco Shareholders Agreement (the "Shareholders Agreement") to require Telesat Holdco to conduct an initial public offering (a "Telesat IPO"). Specifically, we requested that Telesat Holdco

issue not more than 25 million newly issued shares of Telesat Holdco voting common stock. We also requested the termination of the Shareholders Agreement and the elimination of certain provisions in Telesat Holdco's Articles of Incorporation, both of which we believe are necessary to accommodate a successful public offering. If those provisions are eliminated, an impediment to the conversion of our non-voting Telesat Holdco shares to voting shares would be eliminated. Termination or modification of the Shareholders Agreement and conversion of our non-voting shares to voting shares would enable us, after the Telesat IPO and subject to the receipt of any necessary regulatory approvals, to obtain majority voting control of Telesat Holdco. Telesat Holdco is working to implement the Telesat IPO, and we are in discussions with Public Sector Pension Investment Board ("PSP"), our Canadian co-owner of Telesat Holdco, to attempt to agree on our requests regarding the Shareholders Agreement and Telesat Holdco's Articles of Incorporation. If we are unable to reach agreement with PSP on these matters, the advice of the lead underwriter selected for the Telesat IPO will be sought to assist resolution. There can be no assurance as to whether, when or on what terms the Telesat IPO, termination or modification of the Shareholders Agreement or any requested changes to Telesat Holdco's Articles of Incorporation may occur. If the Telesat IPO proceeds in a manner contrary to our requests we will consider options for enforcing our rights, and if the price or other terms of a Telesat IPO are not acceptable to us we may withdraw our demand for a Telesat IPO. In addition, we are continuing to explore a cash distribution to Telesat Holdco shareholders and, in turn, a cash distribution to our stockholders. There can be no assurance that any strategic initiatives or transaction involving Telesat, Telesat Holdco or Loral may occur, or that any particular economic, tax, structural or other objectives or benefits with respect to any initiative or transaction involving Telesat, Telesat Holdco or Loral's interest therein will be achieved.

Loral may, from time to time, explore and evaluate other possible strategic transactions and alliances 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, additional funds are likely to be required. 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 transactions that require additional funds on favorable terms, if at all.

In connection with the acquisition of our ownership interest in Telesat in 2007, Loral has agreed that, subject to certain exceptions described in the 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

See *Critical Accounting Matters* in our latest Annual Report on Form 10-K filed with the SEC and Note 2 to the financial statements.

Changes in Critical Accounting Policies — There have been no changes in our critical accounting policies during the nine months ended September 30, 2015.

Three Months Ended September 30, 2015 Compared With Three Months Ended September 30, 2014

General and Administrative Expenses

	Three Months Ended September 30,	
	2015	2014
	(In thousands)	
General and administrative expenses	$ 1,652	$ 1,281

General and administrative expenses increased by $0.4 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014, primarily from a $0.1 million decrease in ViaSat revenue share due primarily to the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenue and a $0.1 million increase in compensation expenses and employee benefit costs.

Interest and Investment Income

	Three Months Ended September 30,	
	2015	2014
	(In thousands)	
Interest and investment income	$ 15	$ 91

Interest and investment income decreased by $0.1 million for the three months ended September 30, 2015 primarily as a result of the $33.7 million principal payment received on March 31, 2015 related to the Land Note.

Other Expense

	Three Months Ended September 30,	
	2015	2014
	(In thousands)	
Other expense	$ 164	$ 450

Other expense for the three months ended September 30, 2015 and 2014 was related to strategic initiatives (see Overview – General, above).

Income Tax Benefit (Provision)

	Three Months Ended September 30,	
	2015	2014
	(In thousands)	
Income tax benefit (provision)	$ 36,934	$ (4,954)

For the three months ended September 30, our income tax benefit (provision) is summarized as follows: (i) for 2015, we recorded a current tax provision of $0.5 million and a deferred tax benefit of $37.4 million, resulting in a net benefit of $36.9 million on a pre-tax loss from continuing operations of $1.8 million and (ii) for 2014, we recorded a current tax provision of $4.2 million and a deferred tax provision of $0.7 million, resulting in a total provision of $4.9 million on a pre-tax loss from continuing operations of $1.6 million.

Our income tax benefit (provision) for each three-month period is computed by applying an expected effective annual tax rate against the pre-tax loss for the nine months ended September 30, 2015 and 2014 (after adjusting for certain tax items that are discrete to each period). This amount is then reduced by the tax provision recorded for the six months ended June 30, 2015 and 2014. The projected income tax benefit (provision) for the full year used in the computation of our expected effective annual tax rate includes a tax benefit on the projected equity in net loss of Telesat for 2015 and a tax provision on the projected equity in net income of Telesat for 2014. Equity in net (loss) income of Telesat is included on the condensed consolidated statements of operations below the line for income tax benefit (provision). As a result, our expected effective annual tax rate is in excess of 100% of the pretax loss from continuing operations creating a substantial tax benefit for 2015 and a tax provision for 2014.

At September 30, 2015, income tax refund receivable on the condensed consolidated balance sheet included $2.1 million from the carryback of our tax loss from 2014 against taxes previously paid for 2012. We expect to receive this tax refund in 2016.

Subsequent to the Sale, to the extent that profitability from operations is not sufficient to realize the benefit from our remaining net deferred tax assets, we would generate sufficient taxable income from the appreciated value of our Telesat investment, which currently has a nominal tax basis, in order to prevent federal net operating losses from expiring and realize the benefit of all remaining deferred tax assets.

Equity in Net Loss of Affiliates

	Three Months Ended September 30,	
	2015	2014
	(In thousands)	
Telesat Holdings Inc.	$ (27,913)	$ (17,240)
XTAR, LLC	(10,562)	(2,043)
	$ (38,475)	$ (19,283)

Loral's equity in net income of Telesat is based on our proportionate share of Telesat's results in accordance with U.S. GAAP and in U.S. dollars. The amortization of Telesat fair value adjustments applicable to the Loral Skynet assets and liabilities acquired by Telesat in 2007 is proportionately eliminated in determining our share of the net income of Telesat. Our equity in net income of Telesat also reflects amortization of profits eliminated, to the extent of our economic interest in Telesat, on satellites we constructed for Telesat while we owned SS/L and on Loral's sale to Telesat in April 2011 of its portion of the payload on the ViaSat-1 satellite and related assets.

Summary financial information for Telesat in accordance with U.S. GAAP and in Canadian dollars ("CAD") and U.S. dollars ("$") for the three months ended September 30, 2015 and 2014 follows (in thousands):

	Three Months Ended September 30,		Three Months Ended September 30,	
	2015	2014	2015	2014
	(In Canadian dollars)		(In U.S. dollars)	
Statement of Operations Data:				
Revenues	242,033	227,294	187,937	210,163
Operating expenses	(43,864)	(46,348)	(34,032)	(42,827)
Depreciation, amortization and stock-based compensation	(59,695)	(63,775)	(46,239)	(58,955)
Loss on disposition of long lived assets	(9)	(178)	(7)	(164)
Operating income	138,465	116,993	107,659	108,217
Interest expense	(44,517)	(51,458)	(34,533)	(47,573)
Foreign exchange loss	(208,687)	(104,709)	(164,235)	(96,093)
Gain on financial instruments	3,738	16,442	2,968	15,146
Other income	1,097	908	857	841
Income tax provision	(21,087)	(7,993)	(16,289)	(7,484)
Net loss	(130,991)	(29,817)	(103,573)	(26,946)
Average exchange rate for translating Canadian dollars to U.S. dollars (1 U.S. dollar equals)	1.2908	1.0818		

Telesat's revenue decreased by $22.2 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 due primarily to the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenue. Revenue from the energy and resource industries was also lower. These revenue decreases were partially offset by revenue from short-term services provided to another satellite operator. Telesat's revenue excluding foreign exchange impact would have decreased by $5 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014.

Telesat's operating income decreased by $0.6 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 primarily due to the revenue decrease described above, partially offset by the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated expenses, a decrease in depreciation expense due to the end of useful life, for accounting purposes, of the Nimiq 2 satellite in February 2015, a decrease in amortization of intangible assets, a decrease in share-based compensation expense, lower in-orbit insurance expense, lower bad debt expense and lower cost of sales related to lower equipment sales. Telesat's operating income excluding foreign exchange impact would have increased by $4 million for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014.

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

Loss from Discontinued Operations, net of tax

	Three Months Ended September 30,	
	2015	2014
	(In thousands)	
Loss from discontinued operations, net of tax	$ (208)	$ (6,440)

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Adjustments to amounts previously reported in discontinued operations and interest expense that are directly related to the Sale are classified as discontinued operations in the statements of operations for the three months ended September 30, 2015 and 2014. We recorded a $10.3 million loss contingency less taxes thereon in the third quarter of 2014 to increase our liability to the minimum liability under the Settlement Agreement and the Allocation Agreement as well as to record related legal fees and expenses.

Nine months ended September 30, 2015 Compared With Nine months ended September 30, 2014

The following compares our consolidated results for the nine months ended September 30, 2015 and 2014 as presented in our financial statements:

General and Administrative Expenses

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
General and administrative expenses	$ 5,349	$ 3,957

General and administrative expenses increased by $1.4 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014, primarily from a $0.8 million increase in postretirement benefit expense resulting from the settlement of certain retiree medical liabilities, a higher pension insurance premium charged by the PBGC and amortization of actuarial losses incurred in 2014, a $0.2 million decrease in ViaSat revenue share due primarily to the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenue, a $0.2 million increase in compensation and employee benefit costs and a $0.1 million increase in consulting charges.

Interest and Investment Income

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Interest and investment income	$ 119	$ 492

Interest and investment income for the nine months ended September 30, 2015 and 2014 is primarily comprised of interest on the Land Note. The decrease was primarily the result of the $33.7 million and $67.3 million principal payment received on March 31, 2015 and March 31, 2014, respectively.

Other Expense

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Other expense	$ 3,248	$ 2,026

Other expense for the nine months ended September 30, 2015 and 2014 was related to strategic initiatives (see Overview – General, above).

Income Tax Benefit (Provision)

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Income tax benefit (provision)	$ 30,901	$ (25,106)

For the nine months ended September 30, our income tax benefit (provision) is summarized as follows: (i) for 2015, we recorded a current tax provision of $2.3 million and a deferred tax benefit of $33.2 million, resulting in a net benefit of $30.9 million on a pre-tax loss from continuing operations of $8.5 million and (ii) for 2014, we recorded a current tax provision of $5.0 million and a deferred tax provision of $20.1 million, resulting in a total provision of $25.1 million on a pre-tax loss from continuing operations of $5.5 million.

Our income tax benefit (provision) for each nine-month period is computed by applying an expected effective annual tax rate against the pre-tax loss for the nine months ended September 30, 2015 and 2014 (after adjusting for certain tax items that are discrete to each period). The projected income tax benefit (provision) for the full year used in the computation of our expected effective annual tax rate includes a tax benefit on the projected equity in net loss of Telesat for 2015 and a tax provision on the projected equity in net income of Telesat for 2014. Equity in net (loss) income of Telesat is included on the condensed consolidated statements of operations below the line for income tax benefit (provision). As a result, our expected effective annual tax rate is in excess of 100% of the pretax loss from continuing operations creating a substantial tax benefit for 2015 and a tax provision for 2014.

At September 30, 2015, income tax refund receivable on the condensed consolidated balance sheet included $2.1 million from the carryback of our tax loss from 2014 against taxes previously paid for 2012. We expect to receive this tax refund in 2016.

Subsequent to the Sale, to the extent that profitability from operations is not sufficient to realize the benefit from our remaining net deferred tax assets, we would generate sufficient taxable income from the appreciated value of our Telesat investment, which currently has a nominal tax basis, in order to prevent federal net operating losses from expiring and realize the benefit of all remaining deferred tax assets.

Equity in Net (Loss) Income of Affiliates

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Telesat Holdings Inc.	$ (74,329)	$ 48,226
XTAR, LLC	(15,904)	(5,315)
	$ (90,233)	$ 42,911

The following is a reconciliation of the changes in our investment in Telesat for the nine months ended September 30, 2015:

	Nine Months Ended September 30, 2015
	(In thousands)
Opening Balance, January 1, 2015	$ 74,329
Equity in net loss of Telesat	(110,821)
Less: Unrecognized loss for the nine months ended September 30, 2015	37,402
Proportionate share of Telesat other comprehensive income	13,777
Less: Unrecognized other comprehensive income for the nine months ended September 30, 2015	(13,777)
Eliminations of affiliate transactions and related amortization	(910)
Ending balance, September 30, 2015	$ —

As of September 30, 2015, our share of loss in Telesat exceeded our recorded cumulative equity in net income of Telesat and our initial investment by $37.4 million. In following the equity method of accounting, our investment balance in Telesat was reduced to zero as of September 30, 2015. In addition, for the nine months ended September 30, 2015, we did not record our equity of $13.8 million in Telesat's other comprehensive income.

Summary financial information for Telesat in accordance with U.S. GAAP and in Canadian dollars ("CAD") and U.S. dollars ("$") for the nine months ended September 30, 2015 and 2014 and as of September 30, 2015 and December 31, 2014 follows (in thousands):

	Nine Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(In Canadian dollars)		(In U.S. dollars)	
Statement of Operations Data:				
Revenues	697,657	693,885	557,313	636,552
Operating expenses	(128,835)	(133,426)	(102,918)	(122,402)
Depreciation, amortization and stock-based compensation	(181,599)	(191,540)	(145,067)	(175,713)
Loss on disposition of long lived assets	(35)	(246)	(28)	(226)
Operating income	387,188	368,673	309,300	338,211
Interest expense	(131,196)	(155,432)	(104,804)	(142,589)
Foreign exchange losses	(416,952)	(114,650)	(333,076)	(105,177)
Gains on financial instruments	5,213	34,356	4,164	31,517
Other income	2,794	3,278	2,232	3,007
Income tax provision	(68,058)	(50,841)	(54,368)	(46,640)
Net (loss) income	(221,011)	85,384	(176,552)	78,329
Average exchange rate for translating Canadian dollars to U.S. dollars (1 U.S. dollar equals)	1.2534	1.0903		

	September 30,	December 31,	September 30,	December 31,
	2015	2014	2015	2014
	(In Canadian dollars)		(In U.S. dollars)	
Balance Sheet Data:				
Current assets	798,090	578,525	599,482	497,287
Total assets	5,440,609	5,290,592	4,086,689	4,552,613
Current liabilities	246,849	264,029	185,420	227,200
Long-term debt, including current portion	3,990,912	3,605,572	2,997,755	3,102,635
Total liabilities	4,896,196	4,557,625	3,677,756	3,921,887
Shareholders' equity	544,413	732,967	408,933	630,726
Period end exchange rate for translating Canadian dollars to U.S. dollars (1 U.S. dollar equals)	1.3313	1.1621		

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Telesat's revenue decreased by $79.2 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 due primarily to the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenue, lower short-term services provided to other satellite operators, lower revenue from customers in the energy and resource industries and lower equipment sales. Telesat's revenue excluding foreign exchange impact would have decreased by $38 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014.

Telesat's operating income decreased by $28.9 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 primarily due to the revenue decrease described above, partially offset by the impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated expenses, a decrease in depreciation expense due to the end of useful life, for accounting purposes, of the Nimiq 2 satellite in February 2015, a decrease in amortization of intangible assets, a decrease in share-based compensation expense, a decrease in in-orbit insurance expense, lower bad debt expense and lower cost of sales related to lower equipment sales. Telesat's operating income excluding foreign exchange impact would have decreased by $18 million for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014.

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

We regularly evaluate our investment in XTAR to determine whether there has been a decline in fair value that is other-than-temporary. During the fourth quarter of 2014, we recorded a non-cash impairment charge of $18.7 million related to a decline in fair value of our investment that was determined to be other-than-temporary. We recorded an additional impairment charge of approximately $8 million during the three months ended September 30, 2015, primarily as a result of an increase in the discount rate used to value our investment in XTAR. A decline in XTAR's projected revenues or increase in the discount rate used in estimating the fair value of our investment in XTAR may result in a future impairment charge.

Loss from Discontinued Operations, net of tax

	Nine Months Ended September 30,	
	2015	2014
	(In thousands)	
Loss from discontinued operations, net of tax	$(574)	$(6,448)

Adjustments to amounts previously reported in discontinued operations and interest expense that are directly related to the Sale are classified as discontinued operations in the statements of operations for the nine months ended September 30, 2015 and 2014. We recorded a $10.3 million loss contingency less taxes thereon in third quarter of 2014 to increase our liability to the minimum liability under the Settlement Agreement and the Allocation Agreement as well as to record related legal fees and expenses.

Backlog

Telesat's backlog as of September 30, 2015 and December 31, 2014 was $3.4 billion and $3.9 billion, respectively.

Liquidity and Capital Resources

Loral

As described above, Loral's principal asset is a 62.8% economic interest in Telesat and a 56% economic interest in XTAR. The operations of Telesat and XTAR are not consolidated but are presented using the equity method of accounting.

Loral has no debt. Telesat has third party debt with financial institutions. XTAR has no external debt other than to its LLC member, Hisdesat, for restructured lease payments of $5 million per year on the Spainsat satellite. Loral has not provided a guarantee for the debt of Telesat or XTAR.

Cash is maintained at Loral, Telesat and XTAR to support the operating needs of each respective entity. The ability of Telesat to pay dividends or certain other restricted payments as well as consulting fees in cash to Loral is governed by applicable covenants relating to its debt and its shareholder agreement. The ability of XTAR to pay dividends and management fees in cash to Loral is governed by its operating agreement.

Cash and Available Credit

At September 30, 2015, Loral had $62.1 million of cash and cash equivalents and no debt. The Company's cash and cash equivalents as of September 30, 2015 increased by $10.7 million from December 31, 2014 due primarily to a $33.7 million principal payment received from MDA under the Land Note related to the Sale, partially offset by $5.2 million of corporate expenses, including changes in working capital and net of consulting fees and revenue share from Telesat, $8.4 million in payments to ViaSat pursuant to the Settlement Agreement and Dispute Resolution Agreement, payments of $3.7 million related to strategic initiatives, tax payments of $2.1 million and funding of $3.7 million of postretirement liabilities. A discussion of cash changes by activity is set forth in the sections, "Net Cash Used In Operating Activities," "Net Cash Provided By Investing Activities" and "Net Cash Provided By Financing Activities."

Loral did not have a credit facility as of September 30, 2015 and December 31, 2014.

Cash Management

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

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

Liquidity

We believe that our cash and cash equivalents will be sufficient to fund projected expenditures for the next 12 months. We expect that our major cash outlays for the next 12 months will include quarterly payments under the Dispute Resolution Agreement, payments under employee benefit programs and general corporate expenses net of consulting fees and revenue share from Telesat.

Risks to Cash Flow

In the fourth quarter of 2012, we sold our former subsidiary, SS/L, to MDA pursuant to the Purchase Agreement. Under the terms of the Purchase Agreement, we are obligated to indemnify MDA from (1) liabilities with respect to certain pre-closing taxes; and (2) certain litigation costs and litigation damages relating to the ViaSat Suit. Although the ViaSat Suit has been settled and our indemnification liability with respect thereto was determined in December 2014, the payment obligations to ViaSat are joint and several. If MDA and SS/L were to default on all or part of their payment obligations to ViaSat, Loral would be obligated to pay ViaSat any amounts not paid by MDA and SS/L. We also remain obligated to indemnify MDA for pre-closing taxes. The amounts of certain indemnification claims relating to pre-closing taxes have not yet been determined. Where appropriate, we intend vigorously to contest the underlying tax assessments, but there can be no assurance that we will be successful. Although no assurance can be provided, we do not believe that these tax-related matters will have a material adverse effect on our financial position or results of operations.

Telesat

Cash and Available Credit

As of September 30, 2015, Telesat had CAD 720 million of cash and short-term investments as well as approximately CAD 140 million of borrowing availability under its revolving credit facility.

Cash Flows from Operating Activities

Cash generated from Telesat's operating activities for the nine months ended September 30, 2015 was CAD 321 million, a CAD 10 million increase from the same period in the prior year. The increase was primarily due to lower interest paid, higher operating income and a positive change in working capital, partially offset by higher income taxes paid.

Cash Flows used in Investing Activities

Cash used in Telesat's investing activities for the nine months ended September 30, 2015 was CAD 71 million. Telesat's investing activities included CAD 64 million of expenditures on satellite programs and CAD 7 million for other property and equipment.

Cash Flows used in Financing Activities

Cash used in Telesat's financing activities for the nine months ended September 30, 2015 was CAD 60 million. This was primarily the result of mandatory principal payments made on its senior secured credit facilities.

In addition, CAD 33 million of cash was generated by exchange rate changes. See Consolidated Operating Results – Nine months ended September 30, 2015 and 2014 – Equity in Net (Loss) Income of Affiliates for exchange rates.

Liquidity

A large portion of Telesat's annual cash receipts are reasonably predictable because they are primarily derived from an existing backlog of long-term customer contracts and high contract renewal rates. Telesat believes its cash and short-term investments as of September 30, 2015, cash flows from operating activities and drawings on the available lines of credit under its senior secured credit facilities will be adequate to meet Telesat's expected cash requirements for at least the next 12 months for activities in the normal course of business, including capital requirements and required interest and principal payments on debt.

The construction of any satellite replacement or expansion program will require significant capital expenditures. Telesat may choose to invest in new satellites to further grow its business. Cash required for current and future satellite construction programs will be funded from some or all of the following: cash and short-term investments, cash flow from operating activities, cash flow from customer prepayments or through borrowings on available lines of credit under Telesat's revolving credit facility. In addition, Telesat may sell certain satellite assets, and in accordance with the terms and conditions of Telesat's senior secured credit facilities, reinvest the proceeds in replacement satellites or pay down indebtedness under Telesat's senior secured credit facilities. Subject to market conditions and subject to compliance with the terms and conditions of its senior secured credit facilities and the financial leverage covenant tests therein, Telesat may also have the ability to obtain additional secured or unsecured financing to fund current or future satellite construction. Telesat's ability to access these sources of funding, however, is not guaranteed and, therefore, Telesat may not be able to fully fund additional replacement or new satellite construction programs.

Debt

Telesat's debt as of September 30, 2015 and December 31, 2014 was as follows:

	Maturity	Currency	September 30, 2015	December 31, 2014
			(In CAD thousands)	
Senior Secured Credit Facilities:				
Revolving credit facility	March 28, 2017	CAD or USD equivalent	—	—
Term Loan A	March 28, 2017	CAD	387,500	425,000
Term Loan B - Canadian facility	March 28, 2019	CAD	136,500	137,550
Term Loan B - U.S. facility	March 28, 2019	USD	2,266,014	1,993,233
6.0% Senior notes	May 15, 2017	USD	1,198,170	1,045,890
			3,988,184	3,601,673
Less: Deferred financing costs, interest rate floors and prepayment options			(46,263)	(55,994)
Total debt under international financial reporting standards			3,941,921	3,545,679
U.S. GAAP adjustments			48,991	59,893
Total debt under U.S. GAAP			3,990,912	3,605,572
Current portion			95,219	73,444
Long-term portion			3,895,693	3,532,128

Senior Secured Credit Facilities

The obligations under the credit agreement and the guarantees of those obligations are secured, subject to certain exceptions, by a first priority security interest in the assets of Telesat and certain of its other subsidiaries (the "Guarantors"). The credit agreement contains covenants that restrict the ability of Telesat and the Guarantors to take specified actions, including, among other things and subject to certain significant exceptions: creating liens, incurring indebtedness, making investments, engaging in mergers, selling property, paying dividends, entering into sale-leaseback transactions, creating subsidiaries, repaying subordinated debt or amending organizational documents. The credit agreement also requires Telesat and the Guarantors to comply with a maximum senior secured leverage ratio and contains customary events of default and affirmative covenants, including an excess cash sweep that may require Telesat to repay a portion of the outstanding principal under its senior secured credit facilities prior to the

stated maturity.

Each of the Telesat senior secured credit facilities is subject to mandatory principal repayment requirements. The maturity date for each of the Telesat senior secured credit facilities will be accelerated if Telesat's existing 6.0% senior notes due in 2017 or certain refinancing thereof are not repurchased, redeemed, refinanced or deferred before the date that is 91 days prior to the maturity date of such notes.

6.0% Senior Notes due May 15, 2017

The senior notes, in the amount of $900 million, bear interest at an annual rate of 6.0% and are due May 15, 2017. They include covenants or terms that restrict Telesat's ability to, among other things, (i) incur additional indebtedness, (ii) incur liens, (iii) pay dividends or make certain other restricted payments, investments or acquisitions, (iv) enter into certain transactions with affiliates, (v) modify or cancel its satellite insurance, (vi) effect mergers with another entity, and (vii) redeem the senior notes, without penalty, before May 15, 2016, in each case subject to exceptions provided in the senior notes indenture.

As of September 30, 2015, Telesat was in compliance with the financial covenants of its senior secured credit facilities and the indenture governing its 6.0% senior notes.

Debt Service Cost

An estimate of interest expense is based upon assumptions of foreign exchange rates, LIBOR and Bankers Acceptance rates and the applicable margins of Telesat's senior secured credit facilities and senior notes. Telesat's interest expense for the year ending December 31, 2015 is expected to be approximately CAD 172 million.

Derivatives

Telesat uses, as required, interest rate and currency derivatives to manage its exposure to changes in interest rates and foreign exchange rates.

In order to manage its currency risk, Telesat had cross-currency basis swaps to synthetically convert $1.0 billion of the U.S. dollar denominated debt into CAD 1.2 billion of debt. These swaps were entered into in 2007 and matured in October 2014. Telesat has no outstanding cross-currency basis swap contracts as of September 30, 2015.

As of September 30, 2015, Telesat had one interest rate swap to fix interest on CAD 250 million of Canadian dollar denominated debt at a fixed rate of 1.62% (excluding applicable margins) and one interest rate swap to fix interest on CAD 300 million of U.S. dollar denominated debt at a fixed rate of 1.46% (excluding applicable margins). These contracts mature between June 30, 2016 and September 30, 2016.

Capital Expenditures

Telesat has entered into contracts for the construction and launch of a satellite and other capital expenditures. The outstanding commitments, excluding contingent liabilities relating to deferred satellite performance incentive payments, associated with these contracts were approximately CAD 103 million as of September 30, 2015. These expenditures may be funded from some or all of the following: cash and short-term investments, cash flow from operating activities, cash flow from customer prepayments or through borrowings under the revolving credit facility.

Contractual Obligations

There have not been any significant changes to Loral's contractual obligations as previously disclosed in our latest Annual Report on Form 10-K filed with the SEC.

Statement of Cash Flows

Net Cash Used in Operating Activities

Net cash used in operations was $25.4 million for the nine months ended September 30, 2015.

Net cash used in operating activities by continuing operations was $16.5 million for the nine months ended September 30, 2015, consisting primarily of a $9.8 million cash use attributable to loss from continuing operations adjusted for non-cash operating items, a $3.4 million decrease in pension and other postretirement liabilities, a $3.1 million decrease in income taxes payable and a $0.9 million decrease in accrued expenses and other current liabilities.

Net cash used by operating activities from discontinued operations was $8.9 million for the nine months ended September 30, 2015 representing $8.4 million of payments to ViaSat pursuant to the Settlement Agreement and the Allocation Agreement and a $0.5 million pre-closing tax indemnification payment pursuant to the Purchase Agreement.

Net cash used in operations was $36.3 million for the nine months ended September 30, 2014.

Net cash used in operating activities by continuing operations was $10.4 million for the nine months ended September 30, 2014, consisting primarily of a $10.1 million cash use attributable to income from continuing operations adjusted for non-cash operating items and a $3.5 million decrease in pension and other post retirement liabilities, partially offset by a $2.7 million reduction to income taxes receivable (net) and a $0.4 million increase in accrued expenses and other current liabilities.

Net cash used by operating activities from discontinued operations was $25.9 million for the nine months ended September 30, 2014 consisting primarily of an advance of $20 million to ViaSat pursuant to the Settlement Agreement and payment of $10.7 million of indemnified litigation costs related to the ViaSat Suit, partially offset by reimbursement by SS/L of its $5.4 million final share of litigation costs related to the ViaSat Suit.

Net Cash Provided by Investing Activities

Net cash provided by investing activities for the nine months ended September 30, 2015 was $33.6 million.

Net cash provided by investing activities from discontinued operations for the nine months ended September 30, 2015 was $33.7 million consisting of the receipt of principal under the Land Note.

Net cash provided by investing activities for the nine months ended September 30, 2014 was $72.8 million.

Net cash provided by investing activities from continuing operations for the nine months ended September 30, 2014 was $5.4 million consisting primarily of a tax indemnification recovery received from Telesat.

Net cash provided by investing activities from discontinued operations for the nine months ended September 30, 2014 was $67.3 million consisting primarily of the receipt of principal under the Land Note.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $2.6 million and 1.9 million for the nine months ended September 30, 2015 and 2014, respectively, consisting of tax benefits associated with stock-based compensation.

Affiliate Matters

Loral has made certain investments in joint ventures in the satellite services business that are accounted for under the equity method of accounting (see Note 5 to our financial statements for further information on affiliate matters).

Commitments and Contingencies

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

Other Matters

Recent Accounting Pronouncements

There are no accounting pronouncements that have been issued but not yet adopted that we believe will have a significant impact on our financial statements.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

Loral

Foreign Currency

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

Interest

During 2015, our excess cash was invested in money market securities; we did not hold any other marketable securities.

Derivatives

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

Loral had no derivative instruments as of September 30, 2015 and December 31, 2014.

Telesat

Foreign Exchange Risk

Telesat's operating results are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in currencies other than Canadian dollars. The most significant impact of variations in the exchange rate is on Telesat's U.S. dollar denominated debt financing and cash and short-term investments. As of September 30, 2015, Telesat's U.S. dollar denominated debt totaled $2.6 billion. Telesat is also exposed to foreign currency risk on anticipated transactions, such as the costs of satellite construction, launch and acquisition.

For the nine months ended September 30, 2015, approximately 50% of Telesat's revenues and a substantial portion of its expenses, indebtedness and capital expenditures were denominated in U.S. dollars. As a result, the volatility of U.S. currency may expose Telesat to foreign exchange risks.

As of September 30, 2015, the effect of a five percent increase (decrease) in the value of the Canadian dollar against the U.S. dollar on financial assets and liabilities of Telesat would have increased (decreased) Telesat's net income by approximately $116 million. This analysis assumes all other variables, in particular interest rates, remain constant.

Interest Rate Risk

Telesat is exposed to interest rate risk on its cash and cash equivalents and its indebtedness, a portion of which includes a variable interest rate. Changes in the interest rates could impact the amount of interest that Telesat is required to pay.

Derivative Financial Instruments

Telesat uses derivative instruments to manage its exposure to foreign currency and interest rate risk. Telesat's policy is that it does not use derivative instruments for speculative purposes.

Telesat uses the following instruments, as required:

- forward currency contracts to hedge foreign currency risk on anticipated transactions, mainly related to the construction of satellites and interest payments;
- cross-currency basis swaps to hedge the foreign currency risk on a portion of its U.S. dollar denominated debt; and
- interest rate swaps to hedge the interest rate risk related to indebtedness, a portion of which includes a variable interest rate.

Item 4. ***Disclosure Controls and Procedures***

(a) *Disclosure Controls and Procedures.* Our president and our chief financial officer, after evaluating the effectiveness of our "disclosure controls and procedures" (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2015, have concluded that our disclosure controls and procedures were effective and designed to ensure that information relating to Loral and its consolidated subsidiaries required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities Exchange Commission rules and forms.

(b) *Internal control over financial reporting.* There were no changes in our internal control over financial reporting (as defined in the Securities and Exchange Act of 1934 Rules 13a-15(f) and 15-d-15(f)) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.
OTHER INFORMATION

Item 1. ***Legal Proceedings***

We discuss certain legal proceedings pending against the Company in the notes to the financial statements and refer the reader to that discussion for important information concerning those legal proceedings, including the basis for such actions and relief sought. See Note 14 to the financial statements of this Quarterly Report on Form 10-Q for this discussion.

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

Our business and operations are subject to a significant number of risks. The most significant of these risks are summarized in, and the reader's attention is directed to, the section of our Annual Report on Form 10-K for the year ended December 31, 2014 in "Item 1A. Risk Factors." There are no material changes to those risk factors except as set forth in Note 14 (Commitments and Contingencies) and Note 15 (Related Party Transactions – Transactions with Affiliates – Telesat) of the financial statements contained in this report, and the reader is specifically directed to that section.

The risks described in our Annual Report on Form 10-K, as updated by this report, are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 6. ***Exhibits***

The following exhibits are filed as part of this report:

Exhibit 31.1 —	Certification of President pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 —	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1 —	Certification of President pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2 —	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101 —	Interactive Data Files (101.INS) XBRL Instance Document (101.SCH) XBRL Taxonomy Extension Schema Document (101.CAL) XBRL Taxonomy Extension Calculation Linkbase Document (101.DEF) XBRL Taxonomy Extension Definition Linkbase Document (101.LAB) XBRL Taxonomy Extension Label Linkbase Document (101.PRE) XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant

Loral Space & Communications Inc.

/s/ John Capogrossi
John Capogrossi
Vice President, Chief Financial Officer, Treasurer and Controller
(Principal Financial Officer)

and Registrant's Authorized Officer

Date: November 9, 2015

EXHIBIT INDEX

Exhibit 31.1 —	Certification of President pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2 —	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002
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