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

Form 10-K

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

OR

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

Commission file number 1-14180

LORAL SPACE & COMMUNICATIONS INC.

(Exact name of registrant specified in its charter)

Jurisdiction of incorporation: Delaware
IRS identification number: 87-0748324
600 Fifth Avenue
New York, New York 10020
Telephone: (212) 697-1105

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, $.01 par value	**LORL**	**Nasdaq Global Select Market**
Preferred Stock Purchase Rights		**Nasdaq Global Select Market**

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

As of June 30, 2020, the aggregate market value of the common stock, the only common equity of the registrant currently issued and outstanding, held by non-affiliates of the registrant was approximately $248,376,482.

At March 5, 2021, 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 AND COMMUNICATIONS INC.
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For the Year Ended December 31, 2020

RISK FACTOR SUMMARY

Our business is subject to a number of risks of which you should be aware before making an investment decision. Below we summarize what we believe are the principal risk factors but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled “Risk Factors”, together with the other information in this Annual Report.

Risks Relating to the Integration Transaction

- The announcement and pendency of the integration transaction may adversely affect our business, financial condition and results of operations.

- The anticipated benefits of the Transaction may not be realized fully or at all, or may take longer to realize than expected.

Financial, Capital Structure and Telesat Investment Risk Factors

- Our equity investment in Telesat may be at risk because of Telesat’s leverage, which may increase and reduce Telesat’s financial flexibility.

- While we own 62.6% of Telesat on an economic basis, we own only 32.6% of its voting stock and therefore do not have the right to elect or appoint a majority of the members of its Board of Directors and our interests and those of the other Telesat shareholders may diverge or conflict.

- Loral is a holding company with no current operations, and as such, may not receive sufficient cash flow from our affiliates or be able to incur sufficient borrowings to meet our financial obligations.

- Our voting common stock could be delisted by Nasdaq as a result of not having held an annual meeting of stockholders within 12 months of the end of our fiscal year on December 31, 2019.

Risks Factors Associated with Satellite Services

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

- Changes in consumer demand for traditional television services and expansion of terrestrial networks have adversely impacted the growth in subscribers to direct-to-home television services in North America, which may adversely impact future revenues.

- Fluctuations in available satellite capacity could adversely affect Telesat’s results.

- Significant and intensifying competition in the satellite industry and from other providers of communications capacity could result in a loss of revenues and a decline in profitability of Telesat if it fails to compete effectively.

- Changes in technology could have a material adverse effect on Telesat’s results.

- There are numerous risks and uncertainties associated with the planned Telesat Lightspeed constellation, including risks associated with failing to develop the necessary commercial and service operational capabilities in connection therewith.

- There are numerous risks related to monetizing C-band spectrum, and Telesat may not be able to do so in a timely way or at all.

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

- Telesat's insurance will not protect it against all satellite-related losses. Further, Telesat may not be able to renew insurance on its existing satellites or obtain insurance on future satellites on acceptable terms or at all, and, for certain of Telesat's existing satellites, Telesat has elected to forego obtaining insurance.

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

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

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

- Because Telesat's satellites are complex and are deployed in complex environments, Telesat's satellites may have defects that are discovered only after full deployment, which could seriously harm Telesat's business.

- Spectrum values historically have been volatile, which could cause the value of Telesat's business to fluctuate.

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

- The planned Telesat Lightspeed constellation will depend on the use of spectrum; regulations governing non-geostationary orbit spectrum rights, including requirements to share spectrum, could also materially impact the Telesat Lightspeed constellation's system capacity.

Other Risk Factors

- Threats to public health, and measures taken in response to them, may have an adverse effect on Telesat's or our business and results of operations, including in respect of COVID-19.

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

- Telesat's profitability may be adversely affected by swings in the global financial markets, which may have a material adverse effect on Telesat's customers and suppliers, and Telesat's financial results and our U.S. dollar reporting thereof will be affected by swings in the Canadian/U.S. dollar exchange rate.

- The soundness of financial institutions and counterparties could adversely affect Telesat or us.

PART I

Item 1. *Business*

THE COMPANY

Overview

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

Recent Developments

As previously disclosed, on November 23, 2020, Loral entered into a Transaction Agreement and Plan of Merger (as it may be amended from time to time, the "Transaction Agreement") with Telesat Canada, a Canadian corporation ("Telesat"), Telesat Partnership LP, a limited partnership formed under the laws of Ontario, Canada ("Telesat Partnership"), Telesat Corporation, a newly formed corporation incorporated under the laws of the Province of British Columbia, Canada and the sole general partner of Telesat Partnership ("Telesat Corporation"), Telesat CanHold Corporation, a corporation incorporated under the laws of British Columbia, Canada and wholly owned subsidiary of Telesat Partnership ("Telesat CanHoldco"), Lion Combination Sub Corporation, a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"), Public Sector Pension Investment Board, a Canadian Crown corporation ("PSP"), and Red Isle Private Investments Inc., a Canadian corporation and wholly owned subsidiary of PSP ("Red Isle"), under which Merger Sub will merge with and into Loral, with Loral surviving the merger as a wholly owned subsidiary of Telesat Partnership (the "Merger"), and Loral stockholders receiving common shares of Telesat Corporation and/or units of Telesat Partnership that will be exchangeable for common shares of Telesat Corporation (the "Transaction").

The Transaction Agreement contains a number of customary conditions that must be fulfilled to complete the Transaction, including (i) approval of (A) a majority of the outstanding Loral voting common stock and (B) a majority of the outstanding Loral voting common stock not held by MHR, PSP, any other party to the Transaction Agreement or certain of their respective affiliates; (ii) the parties having obtained certain regulatory consents and approvals; (iii) no legal proceedings having been commenced that would enjoin or prohibit the consummation of the Transaction; (iv) the listing of the Class A and Class B shares of Telesat Corporation on a U.S. securities exchange; (v) no "Material Adverse Effect" (as defined in the Transaction Agreement) having occurred; (vi) Telesat remaining in good standing with respect to its material debt obligations; (vii) the accuracy of certain representations (subject to certain qualifications as to materiality) and material performance of certain covenants by the parties, subject to specified exceptions; (viii) effectiveness of the registration statement on Form F-4 and the issuance of a receipt for each of the Canadian preliminary and final prospectuses in respect of the Transaction; (ix) no U.S., Canadian or Spanish governmental agency having commenced civil or criminal proceeding against Loral alleging that any member of the "Loral Group" has criminally violated any law, and no member of the "Loral Group" having been indicted or convicted for, or plead nolo contendere to, any such alleged criminal violation; (x) Loral remaining solvent and not having entered into any bankruptcy or related proceeding; and (xi) the delivery by the parties of certain closing deliverables. If the parties have confirmed that all the conditions are satisfied or waived (other than those conditions that by their terms are to be satisfied at the closing of the Transaction (the "Closing"), but which conditions are capable of being satisfied at the Closing), then PSP and Loral will each have the right to extend the Closing for any number of periods of up to 30 days each and no longer than 120 days in the aggregate, from the date on which the Closing otherwise would have occurred. If the Closing is extended, the Closing will occur on the first two consecutive business days commencing on the fifth business day after the expiration of the final extension period on which the conditions are satisfied or waived (other than the conditions (i) with respect to no "Material Adverse Effect" (as defined in the Transaction Agreement) having occurred, (ii) that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing and (iii) if PSP extends the Closing, with respect to a civil or criminal legal proceeding alleging that Loral or any of its subsidiaries (excluding XTAR, LLC ("XTAR") and Globalstar de Mexico, S. de R.L. de C.V. ("GdM") and their subsidiaries), has criminally violated a law). Subject to the satisfaction of the conditions to Closing and any extensions described above, we expect to complete the Transaction in the third quarter of 2021.

Upon satisfaction of the terms and subject to the conditions set forth in the Transaction Agreement, the Transaction will result in the current stockholders of Loral, PSP and the other shareholders in Telesat (principally current or former management of Telesat) owning approximately the same percentage of equity in Telesat indirectly through Telesat Corporation and/or Telesat Partnership as they currently hold (indirectly in the case of Loral stockholders and PSP) in Telesat, Telesat Corporation becoming the publicly traded general partner of Telesat Partnership and Telesat Partnership indirectly owning all of the economic interests in Telesat, except to the extent that the other shareholders in Telesat elect to retain their direct interest in Telesat.

The Transaction Agreement provides certain termination rights for both Loral and PSP and further provides that, in certain circumstances, Loral may be required to pay to Red Isle a termination fee of $6,550,000 or $22,910,000, or to pay to PSP a “breach” fee of $40,000,000, in each case as provided in the Transaction Agreement.

Satellite Services

Loral has one operating segment consisting of satellite-based communications services. Loral participates in satellite services operations primarily through its ownership interest in Telesat, a leading global satellite operator. Telesat provides its satellite and communication services from a fleet of satellites in geosynchronous (“GEO”) orbit that occupy Canadian and other orbital locations. Telesat is also developing a planned global constellation of low earth orbit (“LEO”) satellites known as “Telesat Lightspeed.” Loral held a 62.6% economic interest and a 32.6% voting interest in Telesat as of December 31, 2020.

Overview of Telesat’s GEO Satellite Business

Telesat owns and leases a satellite fleet that operates in geostationary 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.

At December 31, 2020, Telesat, with approximately $2.1 billion of backlog, provided satellite services to customers from its fleet of 15 in-orbit geostationary satellites and the Canadian Ka-band payload on the ViaSat-1 satellite. Telesat provides video distribution and direct-to-home (“DTH”) video, as well as end-to-end communications services using both satellite and hybrid satellite-ground networks.

Telesat’s GEO satellite fleet offers global coverage with a concentration over the Americas. Telesat has a leading position in the North American satellite video distribution market. Telesat’s GEO satellite fleet and ground infrastructure provide a platform supporting (i) strong video distribution and DTH neighborhoods in North America with blue chip customers and significant contracted backlog, and (ii) connectivity satellite services for customers around the world for backhaul, corporate networks, maritime and aero services, and video distribution and contribution.

Telesat offers its suite of GEO satellite services to more than 400 customers worldwide, which include some of the world’s leading DTH service providers, ISPs, network service integrators, telecommunications carriers, corporations and government agencies. Telesat has established long-term, collaborative relationships with its customers and has developed a reputation for innovation, reliability, and outstanding customer service.

In addition, the orbital locations occupied by Telesat’s GEO satellites provide Telesat with an advantageous position in the markets in which Telesat operates due to the scarcity of available satellite spectrum and the strong neighborhoods Telesat has developed at these locations. As such, Telesat believes its global satellite fleet, access to desirable orbital locations and spectrum rights and strong relationships with its customers position Telesat to maintain its industry leading position as a provider of GEO satellite services, generate significant and predictable cash flows, and capitalize on the growth drivers in the satellite industry and the markets Telesat serves.

Telesat Lightspeed

After decades of developing and successfully operating its GEO satellite services business, Telesat has commenced the development of what it believes will be the world's most advanced constellation of LEO satellites and integrated terrestrial infrastructure, called "Telesat Lightspeed" — a platform designed to revolutionize the provision of global broadband connectivity. LEO satellites operate in a circular orbit around the earth with an altitude typically between 500 and 870 miles. Unlike geostationary satellites that operate in a fixed orbital location above the equator, LEO satellites travel around the earth at high velocities requiring antennas on the ground to track their movement. LEO satellite systems have the potential to offer a number of advantages over geostationary satellites to meet growing requirements for broadband services, both consumer and commercial, by providing increased data speeds and capacity, global coverage, and latency on par with or potentially better than terrestrial services.

Telesat Lightspeed has the potential to transform global satellite and terrestrial communications industries, dramatically increasing Telesat's addressable market from approximately US$18 billion to approximately US$365 billion and significantly expanding its growth potential. Telesat seeks to benefit from its historically strong and stable GEO-based satellite business and, by continuing to develop and deploy Telesat Lightspeed, capitalize on the growing demand for global broadband connectivity.

Telesat has been developing Telesat Lightspeed with industry-leading partners for over five years in order to optimize and de-risk Lightspeed's performance. Telesat Lightspeed has been optimized to serve the fast-growing broadband connectivity requirements of fixed and mobile network operators, aeronautical and maritime users, enterprise customers and governments. Telesat expects to begin launching the first Telesat Lightspeed satellites in approximately two years, with customer beta testing beginning shortly thereafter and commercial services commencing in the second half of 2023.

Telesat Lightspeed is expected to consist of 298 state-of-the-art interconnected LEO satellites coupled with a sophisticated and integrated terrestrial infrastructure to create a fiber-like broadband network for commercial and government users worldwide. Telesat's fleet is expected to be composed of 78 polar-orbit satellites and 220 inclined-orbit satellites, providing full global coverage but concentrating capacity over geographic regions of highest demand. Additional satellites and ground facilities can be added to the network to meet increased user demand as and when required.

In January 2018, Telesat's first LEO satellite was successfully launched into orbit. This Phase 1 LEO satellite has demonstrated certain key features of the Telesat Lightspeed system design, specifically the capability of the satellite and customer terminals to deliver a low latency broadband experience. Telesat also installed ground infrastructure at Telesat's teleport in Allan Park in Canada to support testing with a variety of existing and prospective customers and potential suppliers of the Telesat Lightspeed system hardware who have been participating in trials since the second half of 2018. Telesat has received positive feedback from customers.

In February 2021, Telesat announced that Telesat entered into an agreement with Thales Alenia Space ("TAS") to be the prime manufacturer of the Telesat Lightspeed constellation and that TAS and its affiliate Telespazio have made a Lightspeed capacity commitment in connection with the agreement. Under the terms of the agreement, the parties have provided for continued progress of the program while the financing for the project is being finalized. The execution of the definitive manufacturing agreement, the commencement of full construction activities and the final constellation deployment schedule are subject to, and conditional upon, the progress of the financing for the program.

In February 2021, Telesat announced that it had selected MDA Communications Holdings, Inc. ("MDA") to manufacture the phased array antennas to be incorporated into the Telesat Lightspeed satellites. Under the terms of the agreement Telesat has entered into with MDA, the parties have provided for continued progress of the program while the financing for the project is being finalized.

In February 2021, Telesat announced that Telesat entered into a Memorandum of Understanding (the "MOU") with the government of Québec for an investment of CAD 400 million into Telesat Lightspeed. Under the terms of the MOU, the investment by the government of Québec will consist of CAD 200 million in preferred equity as well as a CAD 200 million loan. It is expected that a final agreement will be completed in the coming months.

Telesat continues to take a number of steps to continue to progress the Telesat Lightspeed business plan, including putting in place arrangements with launch providers, ground systems operators, and antenna manufacturers (to advance the development of economical and high efficiency antenna systems).

Telesat currently estimates that Telesat Lightspeed will require a capital investment of approximately $5 billion. Telesat anticipates diverse sources of financing to fund the development of Telesat Lightspeed, including (subject to compliance with Telesat's borrowing covenants) Telesat's current cash-on-hand, expected cash flows of Telesat's GEO business, proceeds Telesat expects to receive from the repurposing of C-band spectrum, potential future equity issuance, and future borrowings, including from export credit agencies.

Telesat Services

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

Telesat currently derives revenues from the following services:

Broadcast:

Telesat's broadcast services business provided approximately 50.1% of its revenue for the year ended December 31, 2020. Telesat's broadcast customers include North American DTH providers Bell TV, Shaw Direct, DISH Network and leading telecommunications and media firms such as Bell Media and NBC Universal. These services include:

DTH: The two major DTH service providers in Canada (Bell TV and Shaw Direct) exclusively use Telesat's satellites as a distribution platform for satellite-delivered television programming, audio and information channels directly to their customers' homes. In addition, two of Telesat's satellites are used by DISH Network for DTH services in the United States.

Video distribution and contribution: Broadcasters, cable networks and DTH service providers use Telesat satellites for the full-time transmission of television programming, distributing content around the globe. Additionally, Telesat provides certain broadcasters and DTH service providers bundled, value-added services that include satellite capacity, digital encoding of video channels, authorization services and uplinking and downlinking services to and from Telesat satellites and earth station facilities.

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

Enterprise:

Telesat's enterprise services provided approximately 47.5% of its revenue for the year ended December 31, 2020. Telesat's enterprise customers include Bell Canada, BT, Cable & Wireless Communications, Claro S.A., Embratel, Global Eagle, Gogo, Hughes Network Systems, iForte, Leidos Innovations, Marlink, Northwestel, NSSL Global, OmniAccess, Orange, Panasonic, Speedcast, SSI Micro, Suncor Energy, Telefonica, Telenor, Telespazio, ViaSat and Xplornet. These services include:

Telecommunication carrier and integrator services: Telesat provides satellite capacity and end-to- end services for data and voice transmission to telecommunications carriers and integrators located throughout the world. These services include space segment services and terrestrial facilities for enterprise connectivity, internet backhaul, cellular backhaul and services such as rural telephony to telecommunications carriers and network services integrators around the world.

Maritime and aeronautical services: Telesat provides satellite capacity to customers serving the maritime and aeronautical markets, bringing broadband communications services to commercial airplanes and vessels.

Government services: Telesat provides services to the United States government, including through government service integrators. Telesat is also a significant provider of satellite services to the Canadian government.

Direct-to-consumer broadband services: Telesat provides satellite capacity to Xplornet in Canada, to ViaSat in the United States, and to HNS in South America, who each, in turn, use it to provide two-way broadband internet services directly to consumers.

Retail services: Telesat operates satellite and hybrid satellite/terrestrial networks that support retail activities in Canada¸ including point-of-sale and other applications. These services include installation and maintenance of the end user terminal as well as the provision of satellite capacity and other network elements

Resource services: Telesat provides communications services to geographically diverse locations, both on and off shore, for the oil and gas and mining industries.

Satellite operator services: Telesat provides satellite services to other satellite operators when they do not have adequate capacity to meet their customers' needs. Telesat also, on occasion, will relocate one of its end-of-life satellites to the orbital location of another satellite operator on a short-term basis so that they can preserve their spectrum rights at that location.

Consulting and Other:

Telesat's consulting and other category provided approximately 2.4% of its revenue for the year ended December 31, 2020. With more than 50 years of engineering and technical experience, Telesat is a leading consultant in establishing, operating and upgrading satellite systems worldwide. Telesat's consulting customers have included Airbus, Lockheed Martin, MDA Geospatial Services, Mitsubishi Electric, The Defense Advanced Research Projects Agency ("DARPA"), ViaSat, as well as many regional satellite operators around the world. Telesat's consulting operations allow it to realize operating efficiencies by leveraging the same employees and facilities used to support Telesat's own satellite communication business.

Telesat Competitive Strengths

Telesat continues to be at the forefront of the satellite services industry, leading with outstanding customer service and a culture of engineering excellence and technological innovation. Telesat has a leading GEO business defined by one of the largest and most advanced satellite fleets in the world, occupying attractive orbital locations and offering high performing, mission critical services to hundreds of customers worldwide. Telesat is building upon this existing communications platform by developing Telesat Lightspeed with the aim of creating a transformative and industry-leading fiber-like broadband network for commercial and government users globally.

The following competitive strengths characterize Telesat's business and provide a strong foundation for Telesat Lightspeed:

Telesat is a Leading Global Satellite Operator with 50+ Years of Heritage and a Blue Chip Customer Base

Telesat is a leading global satellite operator with over 50 years of operating experience. Telesat's state-of-the-art GEO satellite fleet is comprised of 15 satellites and offers global satellite coverage with a concentration over the Americas. Through its deep commitment to customer service and focus on innovation and engineering excellence, Telesat developed strong and long-standing relationships with a diverse range of high-quality, blue chip customers globally. Telesat's top ten customers have relied on Telesat for an average of 30 years, which Telesat believes is a testament to its outstanding customer service, innovative offerings and deep technical expertise.

Telesat Industry-Leading Engineering Expertise Driving Continuous Innovation

Telesat believes it has an unrivalled track-record of innovation, "firsts," and commercial success in the global satellite industry, guided by one of the most experienced management teams in the industry. Telesat's deep technical expertise and commercial focus has enabled Telesat to pioneer many of the industry's most groundbreaking innovations. Telesat's engineering excellence is also evidenced in part through its industry-leading satellite consulting activities. To date, Telesat has provided technical support to the development of more than 100 satellite systems for roughly 30 commercial and government customers worldwide, including expertise in satellite design, construction and launch. Telesat believes its accumulated experience and expertise in the design, procurement, launch, operation and commercialization of satellites is unparalleled and will continue to drive Telesat's innovation into the future.

Telesat Portfolio of Strategic and Valuable Orbital Real Estate

Telesat's GEO satellites occupy orbital locations that provide Telesat with an advantageous position in the markets in which it operates due to the scarcity of available satellite spectrum and the strong neighborhoods Telesat has developed at these locations. Access to these orbital locations, coupled with the high capital intensity of the satellite industry, creates barriers to entry in those markets. Telesat is licensed by the Department of Innovation, Science and Economic Development Canada ("ISED") to occupy a number of key orbital locations that are well-suited to serve the Americas and support Telesat's leading position in North America. Internationally, Telesat's satellites occupy advantageous orbital locations that enable broad pan-regional service with interconnectivity between regions, promoting both intra- and inter- regional services. Telesat also has rights to additional spectrum, including at certain existing orbital locations.

Telesat has decades of experience in obtaining and maintaining the licenses and approvals required to operate its existing global satellite and ground station network. As such, Telesat is well positioned to obtain the regulatory approvals required to launch and operate Telesat Lightspeed consistent with Telesat's commercial and financial objectives. Telesat has secured a license from the government of Canada to launch and operate a LEO satellite constellation using ~4 GHz of Ka-band spectrum, which has priority rights at the International Telecommunication Union ("ITU"). Ka-band spectrum is particularly well suited for high performance global broadband networks because it allows wider bandwidth, high data and efficient frequency reuse for user-beam services, as well as the feeder-link beams required to connect the satellites to landing stations. In general, Telesat's ITU priority requires other LEO systems to ensure that they do not create interference for Telesat Lightspeed. This should allow Telesat Lightspeed to operate as designed, while requiring other systems to take measures, which may adversely impact their operating capabilities, to avoid interfering with Telesat Lightspeed operations. Telesat has also received other licenses and approvals for Telesat Lightspeed and is pursuing a market access plan in priority countries on a global basis.

Telesat also has rights to use C-band spectrum, which is also a critical spectrum band for 5G. This spectrum is currently the subject of regulatory proceedings in the United States and Canada, where a portion of this spectrum is being repurposed from satellite use to terrestrial wireless use. In the United States proceeding, Telesat has been awarded $344.4 million in accelerated clearing payments if Telesat undertakes certain tasks by specified deadlines. Telesat may also be eligible to receive funds to clear C-band spectrum in other countries, such as Canada, that would further strengthen Telesat's financial position and enhance its ability to take advantage of strategic opportunities, such as deployment of Telesat Lightspeed.

Telesat Uniquely Positioned to Revolutionize Global Broadband Connectivity with Telesat Lightspeed

Telesat is uniquely positioned to revolutionize the provision of global broadband internet connectivity with Telesat Lightspeed, which Telesat believes will be one of the most advanced constellations of LEO satellites and integrated terrestrial infrastructure ever conceived. Telesat's patent-pending LEO architecture is designed to offer an unparalleled combination of capacity, speed, security, reach, resiliency and affordability, with low latency that is on par with the most advanced terrestrial networks. Telesat has secured global priority spectrum rights in Ka-band and has strong government support, including an anchor contract with the government of Canada that Telesat believes will result in CAD 1.2 billion of revenue over 10 years. Telesat's strong position with Telesat Lightspeed is underpinned, and made possible, by Telesat's decades of deep commercial, technical, operational and regulatory experience and expertise in the global satellite services market, as well as its long- standing customer relationships.

Telesat Contracted Revenue Backlog and Disciplined Management Supports Strong Revenue Visibility

Because of the mission-critical nature of Telesat's services and long-term contractual agreements, Telesat has highly recurring revenue from its customers, which provides significant revenue visibility. For the last three years Telesat has had, on average, 81% of each year's total revenue already under contract at the beginning of the year. Telesat contracted revenue backlog of $2.1 billion for Telesat's GEO business as of December 31, 2020 represents a multiple of approximately 3.3 times revenue for the year ended December 31, 2020. One hundred percent of Telesat's backlog is non-cancellable or cancellable on economically prohibitive terms. Approximately 47% of Telesat's revenue is derived from North American DTH customers who signed long-term (~15 years) contracts. Roughly half of Telesat's revenue is derived from providing vital connectivity services to companies that Telesat has served for decades, including telecommunication companies, mobile network operators, users in the aeronautical and maritime markets, energy and natural resource companies, and governments. As demand for affordable, secure and reliable broadband connectivity continues to increase, Telesat expects that demand for these services from these and similar customers will continue to grow.

Telesat's Growth Strategy

Telesat plans to grow its business and profitability by supporting its existing customers and services and by developing and deploying Telesat Lightspeed. Telesat Lightspeed is a highly advanced, global, enterprise-grade, integrated satellite and terrestrial network optimized to capture the growing demand for broadband connectivity in certain key market verticals around the world. Core to Telesat's growth strategy is leveraging Telesat's longstanding customer relationships, deep technical, operating and regulatory expertise and culture of outstanding customer service and continuous innovation.

The principal elements of Telesat's growth strategy are the following:

Follow a Disciplined GEO Satellite Operating and Expansion Strategy

Telesat will continue to focus on increasing the utilization of its existing GEO satellite capacity, maintaining operating efficiency and, in a disciplined manner, using its strong cash flows to strengthen its business. Telesat will continue to be disciplined in its satellite replacement and expansion program, seeking to secure high-quality, long-term customers to anchor any new or replacement geostationary satellites in advance of committing to the construction of such satellites. Many of Telesat's customer service contracts are multi-year in duration and, in the past, Telesat has successfully contracted all or a significant portion of a satellite's capacity prior to commencing construction. For example, in 2017, Telesat announced that Bell Canada signed a 15-year contract for substantially all of the high-throughput satellite ("HTS") spot beam capacity over northern Canada on Telesat's new Telstar 19 VANTAGE satellite. The capacity was used to dramatically enhance broadband connectivity for communities in Nunavut, Canada's northernmost territory.

Capture the Explosive Demand for Global Broadband Connectivity with Telesat Lightspeed

Telesat Lightspeed has been designed to provide fast, affordable, reliable and secure broadband connectivity everywhere on Earth, giving Telesat and its customers a significant competitive advantage in the markets Telesat serves. The network design is optimized to serve users that require fiber-like connectivity beyond the reach of high capacity terrestrial networks. Telesat's advanced constellation design, patent-pending LEO architecture, global priority spectrum rights, strong government support and decades of deep commercial, technical, operational and regulatory experience has put Telesat in a strong position to capture the growing demand for affordable, high capacity broadband connectivity around the world.

Leverage Valuable Spectrum Rights to Support Investment in Growth Initiatives

Telesat has an opportunity to leverage its valuable spectrum rights (in particular, rights to C-band spectrum) in order to generate funds that can be used to support investment in strategic growth initiatives. On February 28, 2020, the Federal Communications Commission ("FCC") in the United States issued a final Report and Order on Expanding Flexible use of the 3.7 to 4.2 GHz Band. The Report and Order provided that Telesat would receive as much as $344.4 million from the repurposing of C-band spectrum in the United States provided that Telesat takes the necessary actions to move Telesat's services in the continental United States out of the 3700 — 4000 MHz spectrum band and into the 4000 — 4200 MHz band and take the necessary steps to ensure that Telesat's end user antennas will not be subject to terrestrial interference. Telesat believes that it can meet all the requirements to receive the $344.4 million.

A similar repurposing of C-band spectrum is currently underway in Canada as well, with the government of Canada launching a public consultation on repurposing C-band spectrum in August 2020. In the consultation document, in addition to its own proposal, the government of Canada included a proposal Telesat put forward whereby, as the sole satellite operator licensed to use C-band in Canada, Telesat would accelerate, and be fully responsible for, the clearing of a portion of the C-band spectrum for 5G. In return, Telesat would be compensated for clearing and repurposing the spectrum. Comments were submitted to the government on October 26, 2020, and Reply Comments were submitted on November 30, 2020. Telesat anticipates a decision in 2021.

Opportunistically Engage in M&A Activity to Enhance Competitive Position and Shareholder Value

The satellite industry has, historically, undergone periods of consolidation, both horizontal and vertical.

Recently, two large satellite operators have each acquired a large service provider. A number of satellite operators have also publicly discussed the benefit of, and potential for, consolidation among satellite operators. Thus, there may be another period of horizontal, as well as continued vertical, consolidation in this sector.

In addition, at this time, the industry is dynamic with some new non-traditional players entering the market. Telesat will be alert to, and will evaluate, merger and acquisition opportunities in a thoughtful and disciplined manner as they arise with the aim of enhancing its competitive position and shareholder value.

Competition

Telesat competes against other global, regional and national satellite operators and with providers of terrestrial-based communications services.

Telesat is a leading global satellite operator. Other scaled, global satellite operators include Intelsat S.A. ("Intelsat"), SES S.A. ("SES"), Eutelsat S.A. ("Eutelsat"), and Inmarsat. Telesat also competes against a number of nationally or regionally focused satellite operators around the world. Telesat competes with these operators based primarily on the quality of its services, location of its orbital slots, performance characteristics of Telesat satellites, price, and overall client needs.

The other major LEO satellite systems that have been announced to date are (i) OneWeb, (ii) SpaceX Starlink, and (iii) Amazon Kuiper. Telesat believes that the innovative architecture and advanced technology of Telesat Lightspeed will allow Telesat to compete effectively against any of the other proposed systems.

Telesat believes the combination of the following attributes positions Telesat highly favorably to commercialize Telesat Lightspeed successfully, notwithstanding Telesat's competitors in the LEO marketplace:

Enterprise-grade system: Telesat Lightspeed is focused on enterprise solutions and optimized for that purpose. Telesat's constellation design, features and functionality will be the most compelling satellite-based enterprise grade network in the world.

Vast technical expertise, experience and relationships: As a trusted satellite operator with a highly experienced management team, Telesat has longstanding relationships at the most important levels of the industry (e.g., customers, suppliers and regulators), and an established eco-system of partners to design a technologically-advanced and economical ground infrastructure. By comparison, competitive LEO services are each being offered by a new market entrant with little experience in developing, deploying and operating satellite networks or in providing satellite communication services.

Existing, engaged customer base: Telesat is known and trusted by key customers and has a deep understanding of their requirements. Over 400 telecommunications, enterprise and government customers today rely on Telesat to help plan their future mission critical infrastructure needs.

Global regulatory experience: Regulatory compliance is a critical aspect of operating and commercializing a satellite network. Obtaining rights to use spectrum and to gain access to provide service in countries around the world is a complex process. National governments have viewed space, and access to their markets from space, as a critical asset and insist on compliance with their regulations. The framework for non-geostationary orbit ("NGSO") spectrum rights, both at an individual country level and internationally at the ITU, is evolving, and it is critical to be an active participant in, and have deep knowledge of, these processes. Telesat has extensive experience in all of these areas, as well as credibility with regulators and other industry participants. This has been, and will continue to be, an important competitive advantage for Telesat versus those companies that do not have the same experience as Telesat.

Priority spectrum rights: Telesat's ITU priority generally requires other LEO systems to ensure that they do not create interference for Telesat Lightspeed. This should allow Telesat Lightspeed to operate as designed, while requiring other systems to take measures to avoid interfering with Telesat Lightspeed operations, which may adversely impact their operating capabilities. The only country, to date, that has enacted an approach to how constellations coordinate their operations that does not follow the ITU process is the United States. In the United States, the FCC has enacted a rule that requires satellite operators whose license or market access was granted in the first processing round (as is the case for Telesat, SpaceX and OneWeb) to split spectrum in certain circumstances. Under the FCC rules, as the first operator to launch a Ka-band LEO satellite, Telesat should be able to choose which portion of the spectrum it will use. Amazon's Kuiper system was granted its license in the second processing round and, therefore, must operate on a non-interference basis with respect to all systems granted license or market access in the first processing round.

Strong government support: As part of Canada's commitment to bridge the digital divide inside its borders, Telesat has entered into a partnership with the government of Canada to bring affordable, high-speed internet connectivity across rural, underserved areas of Canada. The partnership is expected to generate CAD1.2 billion in revenue for Telesat over ten years, which includes up to CAD 600 million from the government of Canada. Additionally, the government of Canada will contribute up to CAD 85 million to Telesat through the government of Canada's Strategic Innovation Fund ("SIF"), and Telesat continues to work closely with other provincial, territorial and local governments across Canada —as well as other key regions globally — to support government focus on this goal.

Satellite Fleet & Ground Resources

Telesat's state-of-the art satellite fleet is comprised of 15 geostationary satellites offering global coverage with a concentration over the Americas. Telesat also has one LEO satellite, LEO1, in polar orbit. Telesat is currently evaluating mission extension services that have the potential to prolong the orbital maneuver lives of certain of its satellites.

The table below summarizes selected data relating to Telesat's owned in-orbit satellite capacity as of December 31, 2020:

	Orbital Location Regions Covered	Launch Date	Manufacturer's End-of-Service Life	Expected End-of- Orbital Maneuver Life(1)	Model
Anik F1	109.2° WL Caribbean	November 2000	2016	2022(2)(3)	BSS702 (Boeing)
Anik F1R	107.3° WL North America	September 2005	2020	2022(2)	E3000 (EADS Astrium)
Anik F2	111.1° WL Canada, Continental United States	July 2004	2019	2026	BSS702 (Boeing)
Anik F3	118.7° WL Canada, Continental United States	April 2007	2022	2026	E3000 (EADS Astrium)
Anik G1	107.3° WL Canada South America	April 2013	2028	2039	SSL 1300
Nimiq 1(4)	Not Applicable(5)	May 1999	2011	2021(2)	A2100 AX (Lockheed Martin)
Nimiq 2(4)	91.1 WL North America	December 2002	2015	2024(2)	A2100 AX (Lockheed Martin)
Nimiq 4	82° WL Canada	September 2008	2023	2027	E3000 (EADS Astrium)
Nimiq 5	72.7° WL Canada, Continental United States	September 2009	2024	2036	SSL 1300
Nimiq 6	91.1° WL Canada	May 2012	2027	2046	SSL 1300
Telstar 11N	37.55° WL North and Central America, Europe, Africa and the maritime Atlantic Ocean region	February 2009	2024	2026	SSL 1300
Telstar 12 VANTAGE	15° WL Eastern United States, SE Canada, Europe, Russia, Middle East, South Africa, portions of South and Central America	November 2015	2030	2032	E3000 (Airbus)
Telstar 14R/Estrela do Sul 2	63° WL Brazil and portions of Latin America, North America, Atlantic Ocean	May 2011	2026	2024	SSL 1300
Telstar 18 VANTAGE(6)	138° EL India, South East Asia, Indonesia/Malaysia, China, Australia/New Zealand, North Pacific and Hawaii	September 2018	2033	2040	SSL 1300
Telstar 19 VANTAGE	63° WL Brazil and portions of Latin America, North America, Atlantic Ocean, Caribbean	July 2018	2033	2037	SSL 1300
LEO 1	NGSO polar	January 2018	2021	N/A(7)	SSTL

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

(2) End of orbital maneuver life for these satellites has been extended through inclined orbit operations which reduces fuel consumption through the elimination of north-south station-keeping.

(3) Anik F1 was recently relocated from the 107.3° WL orbital location to the 109.2° WL orbital location, where it commenced inclined operations.

(4) Telesat's Nimiq 1 and Nimiq 2 satellites are primarily used to provide short-term services to other operators who use the satellites at their designated orbital locations to preserve their spectrum rights.

(5) Nimiq 1 is currently located in a non-Telesat orbital slot.

(6) Telesat International Limited ("TIL"), a subsidiary of Telesat Canada, and APT Satellite Company Limited ("APT") have entered into agreements relating to the Telstar 18 VANTAGE satellite, which are accounted for as a joint operation, whereby TIL's interest is 42.5%.

(7) LEO 1 has sufficient fuel to support collision avoidance maneuvers for several years and subsequent deorbit. End of life will be determined based on ongoing assessment of spacecraft health.

In addition, Telesat has rights to satellite capacity on other satellites including the Ka-band Canadian payload consisting of nine user beams on ViaSat-1.

Telesat operates an extensive ground infrastructure, including a satellite control center ("SCC") in Ottawa, Ontario, its main earth station and backup SCC at Allan Park, Ontario, nine earth stations throughout Canada, one teleport located in the United States and one in Brazil. These ground facilities are used for controlling Telesat's satellites and for the provision of end-to-end services to Telesat's customers.

Satellite Services Performance [(1)]

Loral holds a 62.6% economic interest and a 32.6% voting interest in Telesat. We use the equity method of accounting for our investment in Telesat, and its results are not consolidated in our financial statements. Our share of the operating results from our investment in this company is included in equity in net income (loss) of affiliates in our consolidated statements of operations and our investment is included in investments in affiliates in our consolidated balance sheets (see Note 5 to the Loral consolidated financial statements).

The following table summarizes satellite services revenues and operating income and provides a reconciliation to revenues and operating income reported in our consolidated statements of operations:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Revenue:		
Total segment revenues	$ 613,866	$ 687,868
Affiliate eliminations[(2)]	(613,866)	(687,868)
Revenues from satellite services as reported	$ —	$ —
Operating income:		
Total segment operating income	$ 299,508	$ 345,245
Affiliate eliminations[(2)]	(299,508)	(345,245)
Operating income from satellite services after eliminations	$ —	$ —

(1) See Consolidated Operating Results in Management's Discussion and Analysis of Financial Condition and Results of Operations for significant items that affect comparability between the periods presented.

(2) Affiliate eliminations represent the elimination of amounts attributable to Telesat which is reflected in our consolidated financial statements under the equity method of accounting.

Total Telesat assets were $3.9 billion and $4.1 billion as of December 31, 2020 and 2019, respectively. Backlog was approximately $2.1 billion and $2.5 billion as of December 31, 2020 and 2019, respectively. It is expected that approximately 23.9% of the backlog at December 31, 2020 will be recognized as revenue by Telesat in 2021.

Other

We own 56% of XTAR a joint venture between us and Hisdesat Servicios Estrategicos, S.A. (“Hisdesat”) of Spain. Prior to July 1, 2020, XTAR owned and operated an X-band satellite, XTAR–EUR (the “Satellite”), located at the 29° E.L. orbital slot (the “Orbital Slot”). In addition, prior to July 1, 2020, XTAR leased from Hisdesat 7.2 72MHz X-band transponders on the Spainsat satellite located at 30° W.L. (the “Transponder Lease”). For services provided by Loral, XTAR, until December 31, 2013, was charged a quarterly management fee under a management agreement with Loral (the “Loral Management Agreement”). As of December 31, 2019, the amount due to Loral under the Loral Management Agreement was $6.6 million, and we had an allowance of $6.6 million against this receivable.

On July 1, 2020, Loral, XTAR and Hisdesat restructured their relationship, including, among other things, the following: (i) Hisdesat purchased the Satellite and certain assets related to operation of the Satellite (the “Purchased Assets”) from XTAR; (ii) XTAR’s agreement with Hisdesat to operate the Satellite at the Orbital Slot was terminated and the rights and licenses to operate the Satellite at the Orbital Slot reverted to Hisdesat; (iii) the Transponder Lease was terminated; (iv) XTAR and Hisdesat entered into an agreement under which XTAR will continue to market and sell capacity on the Satellite and on the Spainsat satellite; (v) XTAR and Loral terminated the Loral Management Agreement; and (vi) Loral granted to Hisdesat an option to acquire for nominal consideration, subject to receipt of all required regulatory approvals, Loral’s membership interests in XTAR. This option has not yet been exercised by Hisdesat. On July 2, 2020, Loral received from XTAR $5.9 million from the proceeds of the sale of the Purchased Assets in full and final settlement of the past due receivable outstanding of $6.6 million under the Loral Management Agreement. As a result, the Company recorded a $5.9 million recovery of an affiliate doubtful receivable and a corresponding reduction in its allowance for doubtful accounts for the year ended December 31, 2020.

REGULATION

Telesat is subject to regulation by government authorities in Canada, the United States and other countries in which it operates and is subject to the frequency coordination process of the ITU. Telesat's ability to provide satellite services in a particular country or region is subject also to the technical constraints of its satellites, international coordination, local regulation including as it applies to securing landing rights and licensing requirements.

Canadian Regulatory Environment

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

Telesat is a Canadian carrier under the Telecommunications Act (Canada), or the Telecom Act. The Telecom Act authorizes the Canadian Radio-Television and Telecommunications Commission ("CRTC") to regulate various aspects of the provision of telecommunications services by Telesat and other telecommunications service providers. Telesat is currently not subject to detailed rate regulation; the CRTC has, however, retained its powers under the Telecom Act to impose price regulation or other regulatory measures on Telesat in the future, as necessary. In addition, Section 28(2) of the Telecom Act provides that the CRTC may allocate satellite capacity to particular broadcasting undertakings if it is satisfied that the allocation will further the implementation of the broadcasting policy for Canada.

Telesat's operations are also subject to regulation and licensing by ISED (formerly Industry Canada) pursuant to the Radiocommunication Act (Canada). ISED has the authority to issue spectrum and earth station licenses and establish policies and standards related to the radio frequencies upon which Telesat's satellites and earth stations depend. The Minister responsible for ISED has broad discretion in exercising this authority to issue licenses, fix and amend conditions of licenses and to suspend or even revoke them. Some of the spectrum licenses under which Telesat operates the Anik and Nimiq satellites require Telesat to comply with research and development and other industrial and public benefit commitments, to pay annual spectrum license fees and to provide all-Canada satellite coverage.

ISED traditionally licensed satellite radio spectrum using a competitive licensing process. In 2012, ISED conducted a public consultation on the licensing framework for fixed satellite service ("FSS") and broadcasting satellite service ("BSS") in Canada. As a result, effective January 6, 2014, all FSS and BSS licenses are awarded to qualified applicants on a first-come, first-served basis, and spectrum licenses have replaced radio licenses. The term of spectrum licenses is 20 years, with a high expectation of renewal. ISED may, however, issue licenses with a shorter term. Spectrum licenses include standard conditions of license, including milestones for construction, launch and deployment of satellite(s).

ISED is considering reallocating a portion of the C-band frequencies to terrestrial mobile 5G. As a result, Telesat may be required to vacate a portion of the C-band in the future. Satellite and terrestrial operators are seeking additional spectrum to accommodate the expected growth in demand for broadband services and 5G networks. ISED is considering and may adopt new spectrum allocations for terrestrial services that require satellite operators to vacate or share spectrum.

The Canadian government opened Canadian satellite markets to foreign satellite operators as part of its 1998 World Trade Organization ("WTO") commitments to liberalize trade in basic telecommunications services, with the exception of DTH television services provided through FSS or direct broadcast satellite ("DBS") facilities. In September 2005, the Canadian government revised its satellite-use policy to permit the use of foreign-licensed satellites for digital audio radio services in Canada.

Since November 2000, pursuant to the CRTC's Decision CRTC 2000-745, virtually all telecommunications service providers are required to pay contribution charges, which are fees paid into a central fund used to support the provision of video relay service, and to subsidize the cost of providing telephone and broadband service in underserved and high-cost serving areas. The charges payable by a telecom service provider are calculated as a percentage of its Canadian telecommunications service revenues, minus certain deductions (e.g., terminal equipment sales and inter-carrier payments). The rate for 2020 is 0.44%. An interim rate also of 0.44% has been established by the CRTC for 2021.

United States Regulatory Environment

The FCC regulates the provision of satellite services to, from, or within the United States

Telesat's U.S. licensed satellites operate on a non-common carrier basis. Consequently, they are not subject to rate regulation or other common carrier regulations enacted under the Communications Act of 1934. Telesat pays FCC filing fees in connection with Telesat's space station and earth station applications and annual license and market fees to defray the FCC's regulatory expenses. Telesat is part of a coalition that has challenged the FCC's recent extension of regulatory fees to satellites for which U.S. market access has been granted, but it remains in effect during the pendency of the court challenge. Annual and quarterly reports must be filed with the Universal Service Administrative Company ("USAC") covering interstate/international telecommunications revenues. Based on these reports, USAC assesses Telesat for contributions to the FCC's Universal Service Fund ("USF"). Payments to the USF are made on a quarterly and annual basis. The USF contribution rate is adjusted quarterly and is set at 31.8% for the first quarter of 2021. At the present time, the FCC does not assess USF contributions with respect to bare transponder capacity (i.e., agreements for space segment only).

The FCC currently grants geostationary-like satellite authorizations on a first-come, first-served basis to applicants which demonstrate that they are legally and technically qualified and that the public interest will be served by the grant. In contrast, applications for non-geostationary-like satellite authorizations are generally dealt with through processing rounds, initiated by public notice or the submission of a lead application. To facilitate the provision of FSS in C-, Ku-, Ka- and V-band frequencies in the United States market, foreign licensed operators can apply to have their satellites either placed on the FCC's Permitted Space Station List (for certain frequencies) or be granted a declaratory ruling (for other frequencies). Grants include conditions of license including deployment milestones. If more than one non-geostationary system intends to use the same frequencies, coordination is required; however, if coordination cannot be reached, the U.S rules require that band splitting be applied. Under licensing and market access rules, a bond must be posted, starting at $1 million when a geostationary satellite or non-geostationary satellite constellation authorization is granted and escalating to up to $3 million in the case of a geostationary satellite and $5 million in the case of a non-geostationary satellite constellation. The entire amount of the bond may be forfeited if there is a failure to meet the FCC's milestones for the launch and commencement of operations of the geostationary satellite or the milestones for the deployment and operation of 50% of the satellites in a non-geostationary satellite constellation. The bond and milestone requirements for U.S.-licensed satellites apply equally to authorized foreign-licensed satellites. According to current licensing rules and policies, the FCC will issue new satellite licenses for an initial 15-year term and will provide a licensee with an "expectancy" that a subsequent license will be granted for the replacement of an authorized geostationary satellite using the same frequencies. At the end of the 15-year term, a geostationary satellite that has not been replaced, or that has been relocated to another orbital location following its replacement, may be allowed to continue operations for a limited period of time subject to certain restrictions.

The FCC has reallocated a portion of the C-band frequencies to terrestrial mobile 5G. As a result, Telesat will be compensated to vacate a portion of the C-band by December 31, 2023. As in other jurisdictions, the FCC is considering and may adopt new spectrum allocations for terrestrial mobile broadband and 5G, including in bands that are currently allocated to satellite services.

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

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

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

In 1999, the United States State Department published amendments to the International Traffic in Arms Regulations ("ITAR"), which included satellites on the list of items requiring export licenses. Effective November 2014, further amendments to the ITAR transferred jurisdiction of certain satellites and related technology to the Export Administration Regulations administered by the Commerce Department, which also impose license requirements in specified circumstances.

Regulation Outside Canada and the United States

The Brazilian national telecommunications agency, ANATEL, grants exploitation rights for Brazilian satellites to companies incorporated and existing in Brazil. Until October 2019, these exploitation rights were granted to companies which participated in specific auctions conducted by ANATEL. Such requirement of specific auctions was abolished by Federal Law No. 13,879, dated October 3, 2019, which amended the Brazilian General Telecommunications Law. The auction process was replaced by a simpler administrative process to be determined by ANATEL. Under this administrative process, interested companies will continue to be required to demonstrate that they are legally, technically and financially qualified and that the public interest will be served by the grant. ANATEL may also grant exploitation and landing rights for foreign satellites when the public interest is evidenced, provided that the applicant company provides certain specific technical information on the relevant satellite and appoints a legal representative in Brazil (i.e., a company incorporated and existing in Brazil). The landing rights of foreign satellites will be granted to the owner of the space segment or the company which holds the right to operate it, in whole or in part, but the satellite capacity may only be commercialized in Brazil through the local legal representative. In exploitation and landing rights of Brazilian satellites, the rights are granted conditional on payment of applicable fees (payment may be converted into investment commitments) and are valid for up to 15 years (renewable for additional periods provided that the obligations already assumed are fulfilled). In exploitation and landing rights of foreign satellites, the rights are granted conditional on payment of applicable fees and are valid for up to 15 years renewable once for an additional equal period.

ANATEL has authorized Telesat, through its subsidiary, Telesat Brasil Capacidade de Satélites Ltda. ("TBCS"), to operate FSS satellites at the 63° WL orbital location. In December 2008, TBCS entered into a new 15-year Concession Agreement with ANATEL which obligates TBCS to operate a Ku-band satellite in accordance with Brazilian telecommunications law and contains provisions to enable ANATEL to levy fines for failure to perform according to the Concession Agreement terms. In May 2015, TBCS was the successful bidder in an ANATEL auction for Ka-Band and planned Ku-band frequency rights at the 63° WL orbital location and the associated 15-year Concession Agreements were signed on March 2, 2016. Telesat's Estrela do Sul 2 and Telstar 19 VANTAGE satellites are located at 63° WL and make use of these frequency rights.

In addition, ANATEL has accredited TBCS as legal representative in Brazil of two non-Brazilian satellites: Telstar 12 VANTAGE and Anik G1.

Telesat owns the Telstar 18 VANTAGE satellite, which currently operates at the 138° EL orbital location under an agreement with APT. APT has been granted the right to use the C- and Ku-band frequencies at the 138° EL orbital location by The Kingdom of Tonga. APT is the direct interface with the Tonga regulatory bodies. Because Telesat gained access to this orbital location through APT, there is greater uncertainty with respect to Telesat's ability to maintain access to this orbital location and the frequencies.

Telesat owns and operates the portion of the ViaSat-1 satellite (115° WL) payload that is capable of providing service within Canada. ViaSat-1 operates in accordance with a license granted by the FCC in the United States. However, by virtue of an intergovernmental arrangement between the United States and the United Kingdom, ViaSat-1 operates in accordance with ITU networks filed by the United Kingdom regulatory agency, OFCOM, on behalf of the Isle of Man. The Isle of Man is a British Crown Dependency and Isle of Man satellite frequency filings are filed with the ITU by OFCOM. ManSat Ltd. ("ManSat") has been granted rights by the Isle of Man government to manage all aspects of Isle of Man satellite frequency filings. Both Telesat and ViaSat have a commercial relationship with ManSat. ViaSat and Telesat have agreed to cooperate in their dealings with ManSat with respect to the ViaSat-1 satellite for OFCOM and ITU purposes. The Ka-band and portions of the Ku-band frequencies on Telstar 12 VANTAGE, portions of the Ka-band frequencies on Telstar 18 VANTAGE and the Ka-band frequencies on Telstar 19 VANTAGE, are also filed with the ITU by ManSat on behalf of Telesat.

Landing Rights and Other Regulatory Requirements

Many countries regulate satellite transmission signals to, and for uplink signals from, their territory. Telesat has landing rights in major market countries worldwide. In many jurisdictions, landing rights are granted on a per-satellite basis and applications must be made to secure landing rights on replacement satellites.

International Regulatory Environment -- International Telecommunication Union

The ITU, a specialized agency of the United Nations, is responsible for administering access by member states to frequencies in the radio portion of the electromagnetic spectrum. The ITU Radio Regulations set forth the process that member states must follow to secure rights for geostationary satellite networks and non-geostationary satellite systems to use frequencies and the obligations and restrictions that govern such use. The process includes, for example, a "first-come, first-served" system for gaining access to certain frequencies, time limits for bringing the frequencies into use by launching one satellite, and in the case of non-geostationary satellite systems, milestones associated with the deployment of additional satellites in the system. In the case of geostationary satellite networks only, certain frequencies at specified orbital locations have been reserved in perpetuity for individual administrations' use.

Canada, the United States and other member states have rights to use certain frequencies. Telesat has been authorized by its ITU filing administrators (Canada, USA, Brazil, United Kingdom and Northern Ireland) to use certain frequencies. In addition, through commercial arrangements, Telesat has the right to use certain frequencies for which the Kingdom of Tonga has the rights. Authorized frequencies include those already used by Telesat's current satellites, and additional frequencies at various geostationary orbital locations or in non-geostationary constellations that must be brought into use within specified time limits.

The ITU Radio Regulations govern the process used by satellite operators to coordinate their operations with other satellite operators to avoid harmful interference. Each member state is required to give notice of, coordinate and register its proposed use of radio frequency assignments with the ITU. The filing and registration process is administered by the ITU Radiocommunications Bureau (the "ITU-BR").

Once a member state has filed its proposed use of frequencies with the ITU, other member states inform that member state and the ITU-BR of any intended use that has the potential to cause interference to either existing operations, or operations that may occur in accordance with priority rights. The member states are then obligated to negotiate with each other in an effort to coordinate the proposed uses and resolve interference concerns. If all outstanding issues are resolved in accordance with the various procedures of the ITU Radio Regulations, the frequencies are entered into the ITU's Master International Frequency Register ("MIFR"). Registered frequencies are entitled under international law to interference protection from subsequent or nonconforming uses.

Under the ITU Radio Regulations, a member state that places a satellite or any ground station into operation without completing coordination could be vulnerable to interference from other systems and may have to alter the operating parameters of its satellite or ground station if harmful interference occurs to other users already entered in the MIFR or that have priority rights.

The process of ITU filing and notification in the MIFR of frequencies spans a period of seven years, or longer, depending upon the frequency band and the various provisions of the ITU Radio Regulations that may be invoked. Telesat's authorized frequencies are in various stages of the coordination and notification process. Many frequencies have completed the process and have been registered in the MIFR. In other cases, coordination is on-going so that entry into the MIFR is pending. This is typical for satellite operators. Depending upon the outcome of coordination discussions with other satellite operators, Telesat may need to make concessions in terms of how a frequency may be used. The failure to reach an appropriate arrangement with such satellite operators may render it impossible to secure entry into the MIFR and result in substantial restrictions on the use and operations of Telesat's existing satellites. In the event disputes arise during the coordination process or thereafter, the ITU Radio Regulations set forth procedures for resolving disputes but do not contain a mandatory dispute resolution mechanism or an enforcement mechanism. Rather, the rules invite a consensual dispute resolution process for parties to reach a mutually acceptable agreement. Neither the rules nor international law provide a clear remedy for a party where this voluntary process fails.

Other Orbital Spectrum

Telesat has been authorized by governments to operate using additional frequencies at some of the orbital locations where Telesat is currently operating a satellite. In addition, Telesat has been authorized by governments to operate at other orbital locations where Telesat currently does not have a satellite in service as well as a global LEO constellation in Ka-band and V-band.

INTELLECTUAL PROPERTY

As of December 31, 2020, Telesat owned 23 issued patents, four of which are in the United States. These patents expire between 2025 and 2039. Telesat also has several pending domestic and international patent applications.

There can be no assurance that any of the foregoing pending patent applications will be issued. Moreover, there can be no assurance that infringement of existing third party patents has not occurred or will not occur. Additionally, because the patent application process is confidential, there can be no assurance that third parties, including competitors, do not have patents pending that could result in issued patents which Telesat may infringe. In such event, Telesat may be restricted from continuing the infringing activities, which could adversely affect its business, or Telesat may be required to obtain a license from a patent holder and pay royalties, which would increase the cost of doing business.

RESEARCH AND DEVELOPMENT

Telesat's research and development expenditures are incurred for the studies associated with advanced satellite system designs and experimentation and development of space, satellite and ground communications products. This includes the planned development of Telesat Lightspeed.

FOREIGN OPERATIONS

Telesat's revenues from customers in Canada, the U.S. and other geographical regions, primarily Europe, Middle East and Africa and Latin America and Caribbean, for the years ended December 31, 2020 and 2019 are tabulated below:

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Canada	$ 270,523	$ 297,450
United States	229,151	248,080
Others	114,192	142,338
	$ 613,866	$ 687,868

At December 31, 2020 and 2019, Telesat's long-lived assets were located primarily in Canada, with the exception of in-orbit satellites. (see Item 1A – *"Risk Factors* – Telesat is subject to risks associated with doing business internationally.")

At December 31, 2020 and 2019, Telesat's long-lived assets were located primarily in Canada, with the exception of in-orbit satellites. (see Item 1A – *"Risk Factors* – Telesat is subject to risks associated with doing business internationally.")

EMPLOYEES

As of December 31, 2020, Loral had 12 full-time employees.

As of December 31, 2020, Telesat and its subsidiaries had approximately 429 full-time and part-time employees, approximately 3.03% of whom are subject to collective bargaining agreements. Telesat's employee body is primarily comprised of professional engineering, sales and marketing staff, administrative staff and skilled technical workers. Telesat considers its employee relations to be strong.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available without charge on our web site, www.loral.com, as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC"). Copies of these documents also are available in print, without charge, from Loral's Investor Relations Department, 600 Fifth Avenue, New York, NY 10020. Loral's web site is an inactive textual reference only, meaning that the information contained on the web site is not part of this report and is not incorporated in this report by reference.

Item 1A. *Risk Factors*

I. Risks Relating to the Transaction

The announcement and pendency of the Transaction may adversely affect our business, financial condition and results of operations.

There can be no assurance that the Transaction will be consummated. The Transaction Agreement contains a number of customary conditions that must be fulfilled to complete the Transaction, including (i) approval of (A) a majority of the outstanding Loral voting common stock and (B) a majority of the outstanding Loral voting common stock not held by MHR, PSP, any other party to the Transaction Agreement or certain of their respective affiliates; (ii) the parties having obtained certain regulatory consents and approvals; (iii) no legal proceedings having been commenced that would enjoin or prohibit the consummation of the Transaction; (iv) the listing of the Class A and Class B shares of Telesat Corporation on a U.S. securities exchange; (v) no “Material Adverse Effect” (as defined in the Transaction Agreement) having occurred; (vi) Telesat remaining in good standing with respect to its material debt obligations; (vii) the accuracy of certain representations (subject to certain qualifications as to materiality) and material performance of certain covenants by the parties, subject to specified exceptions; (viii) effectiveness of the registration statement on Form F-4 and the issuance of a receipt for each of the Canadian preliminary and final prospectuses in respect of the Transaction; (ix) no U.S., Canadian or Spanish governmental agency having commenced civil or criminal proceeding against Loral alleging that any member of the “Loral Group” has criminally violated any law, and no member of the “Loral Group” having been indicted or convicted for, or plead nolo contendere to, any such alleged criminal violation; (x) Loral remaining solvent and not having entered into any bankruptcy or related proceeding; and (xi) the delivery by the parties of certain closing deliverables. If the parties have confirmed that all the conditions are satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing, but which conditions are capable of being satisfied at the Closing), then PSP and Loral will each have the right to extend the Closing for any number of periods of up to 30 days each and no longer than 120 days in the aggregate, from the date on which the Closing otherwise would have occurred. If the Closing is extended, the Closing will occur on the first two consecutive business days commencing on the fifth business day after the expiration of the final extension period on which the conditions are satisfied or waived (other than the conditions (i) with respect to no “Material Adverse Effect” (as defined in the Transaction Agreement) having occurred, (ii) that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing and (iii) if PSP extends the Closing, with respect to a civil or criminal legal proceeding alleging that Loral or any of its subsidiaries (excluding XTAR and GdM and their subsidiaries), has criminally violated a law).

These conditions to the Closing may not be fulfilled and, accordingly, the Transaction may not be completed. Subject to the satisfaction of the conditions to Closing and any extensions described above, we expect to complete the Transaction in the third quarter of 2021, but we cannot be certain when or if the conditions for the Transaction will be satisfied or waived. In the event that the Transaction is not completed for any reason, we will remain an independent public company and holders of our common stock will continue to own their shares of common stock.

Additionally, if the Transaction is not completed and the Transaction Agreement is terminated, in certain circumstances, Loral may be required to pay to Red Isle a termination fee of $6,550,000 or $22,910,000, or to pay to PSP a “breach” fee of $40,000,000, in each case as provided in the Transaction Agreement. If we are required to make any of these payments, doing so may materially adversely affect our business, financial condition and results of operations.

Whether or not we complete the Transaction, we may be subject to certain risks and consequences (all of which could be exacerbated by a delay in the completion of the Transaction) as a result of pursuing the Transaction, including, among others, the following:

- consummation of the Transaction will require significant time and attention from management, which may distract management from operating our business and executing on other initiatives that may have been beneficial to us;
- we have incurred, and expect to continue to incur, a number of non-recurring transaction-related costs associated with completing the Transaction. These fees and costs will be substantial. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, filings fees and printing costs;

- legal proceedings in connection with the Transaction, if any, could delay or prevent the completion of the Transaction and lead to additional costs;
- restrictions in the Transaction Agreement on the conduct of our business prior to completion of the Transaction may adversely affect our ability to operate our business; and
- we may experience negative reactions from the financial markets, including a material adverse effect on the stock price of Loral, particularly if we fail to complete the Transaction.

The anticipated benefits of the Transaction may not be realized fully or at all, or may take longer to realize than expected.

The success of the Transaction will depend, in part, on the ability of Telesat Corporation to realize the anticipated benefits of the Transaction, including possibly accessing the public equity markets to fund Telesat's planned low-earth-orbit constellation, Telesat receiving certain important covenant relief under the terms of Telesat's existing debt securities due to Telesat being beneficially owned by a single public company such as Telesat Corporation, maintaining the Canadian character of Telesat and preserving Canadian government support therefor and improving liquidity over time, including by potentially attracting the interest of Canadian institutional investors. If Telesat Corporation is unable to achieve these objectives within the anticipated time frame, or at all, the anticipated benefits to shareholders may not be realized fully or at all, or may take longer to realize than expected, and the market price of publicly traded common shares of Telesat Corporation may be volatile and could decline.

Many of these factors will be outside of Telesat Corporation's control, and any one of them could result in delays, increased costs, decreases in the amount of expected revenues and other adverse impacts, which could materially affect Telesat Corporation's business, financial condition and results of operations.

II. Financial, Capital Structure and Telesat Investment Risk Factors

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

At December 31, 2020, Telesat had outstanding indebtedness of $2.5 billion, which matures in 2026 and 2027, and additional borrowing capacity of $200 million under its revolving facility which matures in 2024. Approximately $1.95 billion of this total borrowing capacity is secured by substantially all of Telesat's assets excluding the assets of unrestricted subsidiaries such as the subsidiary that is developing the Telesat Lightspeed constellation. This indebtedness represents a significant amount of indebtedness for a company the size of Telesat. The agreements governing this indebtedness impose operating and financial restrictions on Telesat's activities. These restrictions on Telesat's ability to operate its business could seriously harm its business by, among other things, limiting its ability to take advantage of financing, merger and acquisition and other corporate opportunities, which could in time adversely affect the value of our investment in Telesat. Borrowings under Telesat's senior secured credit facilities are at variable rates of interest and expose Telesat to interest rate risk. Assuming all revolving loans are fully drawn, each quarter point change in interest rates would result in a $3.1 million change in annual interest expense on indebtedness under the senior secured credit facilities. Telesat has entered into, and in the future it may enter into, interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. Telesat may not, however, maintain interest rate swaps with respect to all or any of its variable rate indebtedness, and any swaps Telesat enters into may not fully mitigate its interest rate risk, may prove disadvantageous or may create additional risks.

As of December 31, 2020, all of Telesat's outstanding debt was denominated in U.S. dollars. Changes in exchange rates impact the amount that Telesat pays in interest and may significantly increase the amount that Telesat is required to pay in Canadian dollar terms to redeem the indebtedness either at maturity, or earlier if redemption rights are exercised or other events occur which require Telesat to offer to purchase the indebtedness prior to maturity, and to repay funds drawn under its U.S. dollar denominated facility. Unfavorable exchange rate changes could affect Telesat's ability to repay or refinance this debt.

A breach of the covenants contained in any of Telesat's loan agreements, including without limitation, a failure to maintain the financial ratios required under such agreements, could result in an event of default. If an event of default were to occur, Telesat's lenders would be able to accelerate repayment of the related indebtedness, and it may also trigger a cross default under other Telesat indebtedness.

If Telesat is unable to repay or refinance its secured indebtedness when due (whether at the maturity date or upon acceleration as a result of a default), the lenders will have the right to proceed against the collateral granted to them to secure such indebtedness, which consists of substantially all of the assets of Telesat and its subsidiaries. Telesat's ability to make payments on, or repay or refinance, its debt, will depend largely upon its future operating performance and market conditions. Disruptions in the financial markets could make it more difficult to renew or extend Telesat's facilities at current commitment levels on similar terms or at all. In the event that Telesat is not able to service or refinance its indebtedness, there would be a material adverse effect on the fair value of our equity investment in Telesat.

While we own 62.6% of Telesat on an economic basis, we own only 32.6% of its voting stock and therefore do not have the right to elect or appoint a majority of the members of its Board of Directors and our interests and those of the other Telesat shareholders may diverge or conflict.

While we own 62.6% of the economic interests in Telesat, we hold only 32.6% of its voting interests. Although the restrictions on foreign ownership of Canadian satellites have been removed by the government of Canada, we are still subject to our shareholders agreement with PSP and the articles of incorporation of Telesat, which do not allow us to own more voting stock of Telesat than we currently own. Also, under our shareholders agreement, the governance and management of Telesat is vested in its 10-member Board of Directors, comprised of three Loral-appointed directors, three PSP-appointed directors and four independent directors, two of whom also own Telesat shares with nominal economic value and 31.2% and 6.8% of the voting interests for Telesat directors, respectively. While we own a greater voting interest in Telesat than any other single stockholder with respect to election of directors and we and PSP, which owns 29.4% of the voting interests for directors and 67.4% of the voting interests for all other matters, together own a majority of Telesat's voting power, circumstances may occur where our interests and those of PSP diverge or are in conflict. In the event that our interests differ from those of PSP, PSP, with the agreement of at least three of the four independent directors, may, subject to veto rights that we have under Telesat's shareholders agreement, cause Telesat to take actions contrary to our wishes. These veto rights are, however, limited to certain extraordinary actions — for example, the incurrence of more than $100 million of indebtedness or the purchase of assets at a cost in excess of $100 million. Moreover, our right to block these actions under the shareholders agreement falls away if, subject to certain exceptions, either (i) ownership or control, directly or indirectly by Dr. Mark H. Rachesky (President of MHR Fund Management LLC ("MHR"), which, through its affiliated funds is our largest stockholder) of our voting stock falls below certain levels other than in certain specified circumstances or (ii) there is a change in the composition of a majority of the members of Loral's Board of Directors over a consecutive two-year period without the approval of the incumbent directors.

Loral Space & Communications Inc. is a holding company with no current operations; we are dependent upon, and may not receive, sufficient cash flow from our affiliates or be able to incur sufficient borrowings to meet our financial obligations.

Loral is a holding company with ownership interests in Telesat and XTAR and, as such, Loral has no independent operations or operating assets and has ongoing cash requirements. We are dependent upon, and may not receive, sufficient cash flow from our affiliates or be able to incur sufficient borrowings to meet our financial obligations.

The ability of Telesat and XTAR to make payments or distributions to Loral, whether as dividends or as payments under applicable consulting agreements or otherwise, will depend on their operating results, including their ability to satisfy their own cash flow requirements, and obligations including, without limitation, their debt service obligations. Moreover, covenants contained in the debt agreements of Telesat impose limitations on its ability to dividend or distribute funds to Loral. Even if the applicable debt covenants would permit Telesat to pay dividends or make distributions, Loral will not have the ability to cause Telesat to do so. See above "While we own 62.6% of Telesat on an economic basis, we own only 32.6% of its voting stock and therefore do not have the right to elect or appoint a majority of the members of its Board of Directors and our interests and those of the other Telesat shareholders may diverge or conflict." Likewise, any dividends or distributions by XTAR would require the prior consent of our Spanish partner in the joint venture.

Although our equity in Telesat has substantial value, our shareholders agreement with PSP regarding Telesat limits our ability to pledge our shares in Telesat as collateral for borrowing. For so long as the shareholders agreement is in place in its current form, we may not be able to borrow or access the debt markets on a secured basis to fund our financial obligations, and our ability to borrow or access the debt markets on an unsecured basis may be limited or not available at all.

Our voting common stock could be delisted by Nasdaq.

On January 5, 2021, we received a written notice (the "Nasdaq Notice") from the Listing Qualifications Department of The Nasdaq Stock Market ("Nasdaq") indicating that the Company is not in compliance with Rule 5620(a) of the Nasdaq Listing Rules (the "Nasdaq Rules") as a result of the Company not having held an annual meeting of stockholders within 12 months of the end of the Company's fiscal year on December 31, 2019. The Nasdaq Notice stated that, under the Nasdaq Rules, the Company had 45 calendar days to submit a plan to regain compliance with the Nasdaq Rules. On February 17, 2021, we submitted to Nasdaq our plan to regain compliance with the Nasdaq Rules. In our submission, we informed Nasdaq that, on February 11, 2021, a draft registration statement (the "Registration Statement") containing a preliminary proxy statement for the 2020 Annual Meeting of Stockholders of the Company was confidentially submitted to the SEC, and as soon as practicable after the Registration Statement is filed and declared effective by the SEC, we intend to mail the definitive proxy statement and hold our 2020 Annual Meeting. If Nasdaq accepts our plan, Nasdaq may grant us an extension of time of up to 180 days from our fiscal year end, or June 30, 2021, to hold our 2020 Annual Meeting.

If Nasdaq accepts our plan but we are unable to hold our 2020 Annual Meeting before expiration of the extension granted by Nasdaq or if Nasdaq does not grant us an extension, the Nasdaq Rules provide that the Nasdaq staff immediately issue to the Company a staff delisting determination indicating the date on which the Company's voting common stock will be suspended from trading. In such case, the Company will, however, have the opportunity to request a review by a Nasdaq Hearings Panel. Delisting of our voting common stock by Nasdaq could result in a material adverse effect on the liquidity, and have an adverse effect on the trading value, of our shares.

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

In past years, the volatility and disruption in the capital and credit markets reached unprecedented levels. If these conditions reoccur, there can be no assurance that we will not experience a material adverse effect on our ability to borrow money or have access to capital, if needed. Lenders may be unable or unwilling to lend money. In addition, if we determine that it is appropriate or necessary to raise capital in the future, the future cost of raising funds through the debt or equity markets may be expensive or those markets may be unavailable. If we were unable to raise funds through debt or equity markets, it could have a material adverse effect on our business, results of operations and financial condition.

We may face indemnification claims for pre-closing taxes from our sale of SSL.

In the fourth quarter of 2012, we completed the sale of our wholly-owned subsidiary, Space Systems/Loral, LLC (formerly known as Space Systems/Loral, Inc.) ("SSL"), to MDA Communications Holdings, Inc., a subsidiary of Maxar Technologies Inc. (formerly known as MacDonald, Dettwiler and Associates Ltd.) ("MDA"). Under the terms of the purchase agreement related to the SSL sale, we are obligated to indemnify MDA and its affiliates for certain pre-closing taxes. The final 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. We may not be able to settle indemnification claims at or below the value recorded in our financial statements, and indemnification claims under the purchase agreement, whether pending now or made in the future, could have a material adverse effect on our financial condition, including liquidity, and results of operations.

III. Risk Factors Associated With Satellite Services

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

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

Satellite anomalies are likely to be experienced in the future, whether due to the types of anomalies described above or arising from the failures of other systems or components. Despite working closely with satellite manufacturers to determine the causes of anomalies and mitigate them in new satellites and to provide for intra-satellite redundancies for certain critical components to minimize or eliminate service disruptions in the event of failure, Telesat cannot assure that, in these cases, it will be possible to restore normal operations. Where service cannot be restored, the failure could cause the satellite to have less capacity available for sale, to suffer performance degradation or to cease operating prematurely, either in whole or in part.

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

Some of Telesat's satellites have experienced in-orbit anomalies and may in the future experience further anomalies that may affect their performance.

A number of Telesat's in-orbit satellites have experienced anomalies and may in the future experience further anomalies that may affect their performance. Past anomalies include:

Nimiq Satellites:

A number of LM A2100 series of satellites have suffered in-orbit failures of circuits on their solar arrays. Lockheed Martin has determined that Nimiq 1 and Nimiq 2 are in the family of spacecraft that is susceptible to this anomaly.

Telesat's Nimiq 1 has suffered a number of solar array circuit/string failures, resulting in a reduction of total available power. Currently, the solar array power continues to support operations. In addition, Telesat's Nimiq 1 has suffered a number of battery cell failures, which have required some adjustments to the spacecraft's operations to support the provision of satellite services, including reducing the number of transponders available for use during periods of solar eclipse. Nimiq 1 has also experienced thruster anomalies that have required some adjustments to the spacecraft's operations but have not impacted service.

In February 2003, Nimiq 2 experienced an anomaly affecting the available power on the satellite. Lockheed Martin, the satellite's manufacturer, concluded the most likely cause of this anomaly was an electrical short-circuit caused by foreign object debris located in a single power-carrying connector. As a result of this anomaly, the south solar array power cannot be recovered. In addition, Nimiq 2 has experienced solar array circuit failures, resulting in a significant reduction of available power. These failures have substantially reduced the number of transponders Telesat can operate at saturation and it is currently expected that the available capacity will be further reduced over time. In April 2005, another satellite operator reported that a satellite of the same series as Nimiq 2 suffered a solar array anomaly that resulted in the complete loss of one array and a corresponding 50% reduction in available satellite power. Lockheed Martin, the manufacturer, has traced the most likely cause of this failure to a component on the solar array drive. Unlike Nimiq 1, Nimiq 2 has this component in its remaining functioning solar array. If this same component failed on the functioning array of Nimiq 2, it would result in a total loss of service of the satellite.

Anik Satellites:

Anik F1 was designed with the capability to cover both North America and South America from the 107.3° WL orbital location. In August 2001, Boeing, the manufacturer of the Anik F1 satellite, advised Telesat of a gradual decrease in available power on-board the satellite. Boeing investigated the cause of the power loss and reported that the power will continue to degrade. Telesat procured a replacement satellite, Anik F1R, which was launched in 2005. The North American traffic on Anik F1 was transferred to Anik F1R. Anik F1 continued to provide coverage of South America until December 2020. Anik F1 was recently moved to the 109.2° WL orbital location where it commenced inclined orbit operations.

Telesat has experienced and continues to experience intermittent anomalies with certain amplifiers in the Ka-band and Ku-band payloads on Anik F2. Boeing, the manufacturer, has completed its investigation of these anomalies. The majority of the affected Ka-band units continue to remain in service through modifying operational configurations. The Ku-band traveling-wave-tube amplifiers (“TWTAs”) that were affected as a result of these anomalies have failed. All but two of the failed transponders were replaced using spares and many of the Ku-band TWTAs currently in service have no further spares left to replace them should they fail. Anik F2 has experienced an anomaly with one of its two telemetry transmitters. While the failure of a single telemetry transmitter does not impact satellite operations or the service Telesat provides to its customers, in the event Telesat is unable to restore any redundancy and the second telemetry transmitter were to fail, Telesat would cease receiving important information from the satellite regarding its position in orbit and health and Telesat’s ability to operate the satellite would be adversely affected. A software patch for the satellite was developed by Boeing to provide telemetry to support operations in the event of a failure of the second transmitter and was implemented on the satellite in February 2013. Telesat’s Anik F2 satellite has also experienced an anomaly on one of the station-keeping thrusters. However, this thruster anomaly has had no impact on service and the thruster continues to support operations. There is a small Ka-band payload on Anik F3 which experienced an anomaly following launch. Telesat implemented a plan to remedy the effect of this anomaly and the Ka-band payload is currently operational.

Telstar Satellites:

Telstar 12 VANTAGE began to suffer from degraded performance of four channels in late December 2016 due to increased noise levels. Following an investigation with the satellite manufacturer, the root cause of the anomaly was determined. As a result of this degradation, two channels on T12V are no longer usable. In 2017, Telesat received insurance proceeds in connection with this anomaly. Degradation of performance was observed on additional channels in May 2018 due to increased noise levels. The satellite manufacturer investigation concluded that the root cause of the anomaly was similar to that of the 2016 anomaly. The channels continue to support service. In the event of further degradation, Telesat may lose the capability to continue to use two channels.

Telstar 14R/Estrela do Sul 2’s North solar array was damaged after launch and only partially deployed, diminishing the power and expected orbital maneuver life of the satellite. At the beginning of July 2011, the satellite began commercial service with substantially reduced available transponder capacity and with an expected end-of-orbital maneuver life reduced to 2024. It is currently expected that the available transponder capacity will be reduced over time. If the damaged solar array on Telstar 14R/Estrela do Sul 2 were to unexpectedly deploy in the future this could result in a loss of capability to provide service. In September 2016, the primary gyro utilized to maintain operational pointing of the satellite exhibited degraded performance. The backup gyro unit was switched into service and is currently in operation. A ground-based system has been implemented, which provides the capability to operate the satellite in the absence of a functioning on-board gyro. This system will reduce the demands on the backup gyro unit and provide redundancy.

Telstar 19 VANTAGE has suffered a number of failures of a component that supports the operation of two of the three batteries on the satellite. The satellite manufacturer is currently conducting an investigation into the root cause of the anomaly. There is a risk that the satellite will experience additional failures of these components and that, absent an operational workaround, Telesat may reach a point where Telesat would be unable to provide services on all or some portion of the satellite during eclipse seasons (from approximately late February to mid-April and late August to mid-October each year, when operating the satellite for a period of time daily is dependent on battery power). Services on Telesat 19 VANTAGE have not been impacted by the failures thus far. Telesat believes that it can implement an operational workaround to maintain services on the satellite through the eclipse season even if the satellite suffers additional component failures on the batteries that have been impacted to date. However, should Telesat suffer additional component failures and the operational workaround be ineffective and another workaround could not be implemented, Telesat would be unable to provide service during eclipse seasons to all or some of its customers. If that were the case, the affected customers would be entitled to terminate their agreements with Telesat, Telesat would be required to repay a portion of any prepayments it received on the satellite associated with the terminated services, and Telesat revenues and operating results would be adversely affected.

In general, Telesat’s satellites are exposed to the potential risk of loss.

Changes in consumer demand for traditional television services and expansion of terrestrial networks have adversely impacted the growth in subscribers to DTH television services in North America, which may adversely impact Telesat's future revenues.

A substantial amount of Telesat's revenue is earned from customers who use Telesat's services to provide DTH television services to the public in North America. For the year ended December 31, 2020, approximately 94% of Telesat's broadcast revenue was derived from North American DTH television services. For various reasons, the number of DTH subscribers to whom Telesat's customers provide services has been decreasing. In many regions of the world, including North America, the terrestrial networks with which Telesat competes continue to expand. Terrestrial networks have advantages over traditional DTH services for the delivery of two-way services, such as on-demand video services. Moreover, one of Telesat's largest DTH customers also has a substantial fiber terrestrial broadcast distribution network that it is continuing to expand, which has led to certain of its own DTH customers migrating to its terrestrial network. The migration of DTH customers to terrestrial networks, in order to access improved two-way services or for other reasons, could decrease the demand for Telesat's services, adversely impacting its future revenue and financial performance.

The growth of "over-the-top" ("OTT") video distribution (e.g., Netflix) may also have an adverse impact on Telesat's business. OTT distribution is an on-demand (i.e., non-linear) platform that provides delivery of broadcasting services to consumers through an internet service provider that may not be involved in the control or distribution of the content itself. The growth of OTT distribution may have a negative impact on the demand for the services of some of Telesat's large DTH customers, which could result in lower demand for its satellite capacity

Fluctuations in available satellite capacity could adversely affect Telesat's results.

The availability of satellite capacity has fluctuated over time, characterized by periods of undersupply of capacity, followed by periods of substantial new satellite construction which is, in turn, followed by an oversupply of available capacity. The industry appears to be currently experiencing a period of oversupply. Given the number of new satellites launched over the past several years, many of which contain high throughput payloads, as well as the number of satellite constellations being deployed and under development, unless Telesat experiences a corresponding increase in demand, the next several years are likely to continue to be characterized by an oversupply of capacity. In addition, changes in technology could introduce a substantial amount of new capacity into the market, further exacerbating the oversupply problem. An oversupply of capacity leads to a decrease in rates charged for satellite services which could adversely affect Telesat's results of operations and cash flows.

Developments that Telesat expects to support the growth in demand for satellite services, such as continued growth in corporate data and internet traffic, may fail to materialize or may not occur in the manner or to the extent Telesat anticipates.

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

Telesat provides point-to-point and point-to-multipoint services for voice, data and video communications and for high-speed internet access. Telesat competes against global competitors who are substantially larger than Telesat in terms of both the number of satellites they have in orbit as well as in terms of their revenues. Due to their larger sizes, these operators are able to take advantage of greater economies of scale, may be more attractive to customers, may (depending on the specific satellite and orbital location in question) have greater flexibility to restore service to their customers in the event of a partial or total satellite failure and may be able to offer expansion capacity for future requirements. Telesat also competes against regional satellite operators who may enjoy competitive advantages in their local markets. As a result of the availability of export credit agency financing for projects that would not otherwise obtain financing from commercial lenders, new entrants, including governments that have traditionally purchased satellite capacity from established satellite operators, are acquiring their own satellites, which increases the amount of available satellite capacity in the marketplace and decreases demand for Telesat services.

A substantial portion of Telesat's business is in the Canadian domestic market. This market is characterized by increasing competition among satellite providers and rapid technological development. The Canadian government opened Canadian satellite markets to foreign satellite operators for the provision of FSS, with the exception of DTH television services provided through FSS, as part of its 1998 WTO commitments to liberalize trade in basic telecommunications services, and in September 2005 revised its satellite-use policy to permit the use of foreign-licensed satellites for digital audio radio services in Canada. Further liberalization of the policy may occur and could result in increased competition in Canadian satellite markets. Historically, the Canadian regulatory framework has required the use of Canadian-licensed satellites for the delivery of DTH in Canada whether through FSS or DBS facilities. It is possible that this framework could change and allow non-Canadian satellite operators that have adequate service coverage in Canadian territory to compete for future business from Telesat's DTH customers.

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

A failure to compete effectively could result in a loss of revenues and a decline in profitability, a decrease in the value of its business and a downgrade of its credit rating, which would restrict its access to the capital markets.

Changes in technology could have a material adverse effect on Telesat's results of operations, business prospects and financial condition.

The implementation of new technologies that can provide increased capacity to end-users at lower cost may reduce demand for Telesat's services. Many of the new satellites deployed over the last several years and replacement satellites expected to be deployed in the near term will be high throughput satellites, which are able to transmit substantially more data than pre-existing satellites or may include high throughput payloads. These satellites may decrease demand and/or prices for traditional satellite capacity. While Telesat owns the high throughput Canadian payload on ViaSat-1, and has incorporated high throughput payloads on Telesat's Telstar 12 VANTAGE, Telstar 18 VANTAGE and Telstar 19 VANTAGE satellites, the introduction of more, and more capable, high throughput satellites by other operators into the markets in which Telesat participates could have a material adverse effect on Telesat's results of operations, business prospects and financial condition.

A number of NGSO satellite projects are in development, production, or in the process of being deployed, which, if implemented successfully, could have significant advantages over geostationary satellite systems, in particular for latency sensitive applications. These projects have the potential to substantially increase the amount of available capacity in the marketplace, decreasing demand for geostationary satellite services. In addition to new satellite technologies, new projects which could compete with traditional satellite services have recently been announced, including for the provision of telecommunications services using balloons or drones.

Improvements in existing technologies could also adversely impact the demand for satellite services. For example, improvements in signal compression could allow Telesat's customers to transmit the same amount of data using a reduced amount of capacity, which could decrease demand for Telesat's services.

There are numerous risks and uncertainties associated with Telesat's business, including the planned Telesat Lightspeed constellation. Telesat may be unable to raise sufficient capital to fund the Telesat Lightspeed constellation, Telesat may ultimately choose to not proceed with the project or Telesat may proceed with the project and it may not be successful, any of which could have a material adverse effect on Telesat's results of operations, business prospects and financial condition.

Telesat is currently developing an advanced low earth orbit satellite network consisting of several hundred satellites in NGSO. There are numerous risks and uncertainties associated with NGSO constellations generally and with the Telesat Lightspeed constellation.

NGSO constellations are complex. In order to operate successfully and deliver a high-quality service, all components of the system, both on the ground and in space, must be integrated seamlessly and efficiently. Unlike most traditional geostationary satellites currently in use, which rely on legacy, space-tested hardware and established ground equipment infrastructures, some of the technology necessary for the successful operation of a LEO constellation, in particular the Telesat Lightspeed constellation, is still in development. The Telesat Lightspeed constellation design incorporates leading-edge satellite technologies, including on-board data processing, multi-beam phased array antennas and optical inter-satellite links; these are technologies that have not been fully developed for space applications at the scale, levels of performance and price points that are required for the successful operation and commercialization of the Telesat Lightspeed constellation. In addition, in order to provide a competitive service in certain of the customer segments Telesat plans to serve, Telesat requires advances in ground terminal design and manufacturing, particularly electronic flat panel antennas capable of acquiring and tracking LEO satellites. If the Telesat Lightspeed constellation does not deliver the required quality of service at prices that are competitive relative to other satellite providers and alternative products, Telesat may not be able to acquire customers and establish a successful business. It is possible that Telesat may not be able to overcome the technological hurdles required to complete the planned Telesat Lightspeed constellation, or due to technological issues the Telesat Lightspeed constellation may not operate as planned.

The implementation of the planned Telesat Lightspeed constellation will require a substantial outlay of capital and Telesat may not be able to raise sufficient capital to successfully develop and commercialize the project. While Telesat has entered into agreements with Thales Alenia Space to be the prime manufacturer for the Telesat Lightspeed constellation and with MDA to manufacture the phased array antennas, the execution of the definitive manufacturing agreements with Thales Alenia Space and MDA, the commencement of full construction activities and the final constellation deployment schedule are subject to, and conditional upon, the progress of the financing for the program. Similarly, while Telesat has announced that the government of Quebec intends to invest CAD 400 million into the planned Telesat Lightspeed constellation, that investment is subject to a number of conditions including the entering into of a further definitive agreement, which for various reasons, may not occur. If unable to raise sufficient capital, Telesat will not be able to build and deploy the Telesat Lightspeed constellation. In addition, if Telesat is successful in raising sufficient capital to fund the Telesat Lightspeed constellation and the constellation does not operate as expected or is otherwise commercially unsuccessful, it could result in a material adverse effect on Telesat's operations, business prospects and financial condition.

Telesat's planned Telesat Lightspeed constellation will require Telesat to develop significant commercial and service operational capabilities. Failure to effectively develop such operational capabilities could cause the Telesat Lightspeed constellation to fail to achieve commercial viability and could have a material adverse effect on Telesat's operations, business prospects and financial condition.

Telesat's planned Telesat Lightspeed constellation will offer an end-to-end network service with responsibility from the Point of Presence, where the constellation connects to the terrestrial internet, to the end-user's terminal. This contrasts with Telesat's current GEO satellites, from which Telesat currently derives a majority of Telesat's revenue, where Telesat primarily provides customers with access to Telesat's GEO satellites, and customers then combine this capacity with ground (hub) equipment to create a connectivity service. Telesat's failure to develop new supporting technologies, processes and procedures, competencies, and other capabilities to support the Telesat Lightspeed constellation may materially impact Telesat's ability to monetize the Telesat Lightspeed constellation. Additionally, the Telesat Lightspeed constellation will require an advanced ecosystem to support LEO installation, including terminals and related installs, which does not currently exist.

Telesat's effective monetization of the Telesat Lightspeed constellation may require Telesat to provide ancillary services to combine with Telesat's LEO services, as customers may demand these services to create a complete solution for the communications requirements. Some examples of ancillary services are trained third parties who can install and maintain Telesat's LEO terminals. Telesat does not currently have these capabilities, and may be required either to develop such capabilities in house or partner with third parties to deliver these capabilities, and Telesat cannot assure that Telesat will be able to successfully harness such capabilities.

A material part of Telesat's anticipated revenues from the planned Telesat Lightspeed constellation will come from geographies where Telesat does not have a significant presence today, including Europe, Africa and Asia, and the expansion of Telesat's capabilities in other geographies where Telesat currently has operations. Telesat's failure to expand Telesat's sales and distribution capabilities in these geographies could cause the Telesat Lightspeed constellation to fail to achieve commercial viability.

In order to effectively operate the planned Telesat Lightspeed constellation, Telesat will be required to develop and expand certain business operations capabilities, including management of inventory, tracking service installation and commissioning, network monitoring and customer call resolution. Telesat will also need to develop new network capabilities to provision terminals, manage bandwidth and monitor these services. If Telesat is unable to develop these capabilities, Telesat may be unable to provide customers with a level of service sufficient to support the Telesat Lightspeed constellation's adoption. The development and deployment of the Telesat Lightspeed constellation may place a significant burden on Telesat's management and other internal resources. The diversion of management's attention and internal resources to the Telesat Lightspeed constellation and away from existing operations could harm business and operating results.

Even if Telesat is able to successfully build and deploy the Telesat Lightspeed constellation, Telesat may nonetheless fail to generate anticipated revenues due to slow market adoption or because the total addressable market for the Telesat Lightspeed constellation may be smaller than Telesat expects.

Telesat's projected revenues from the Telesat Lightspeed constellation are based on the anticipated expansion of the market for satellite services as the availability for higher quality, lower priced services will lead to increased uses of satellite services. However, there may be factors, both internal to and extraneous to the development and deployment of Telesat's LEO satellites, that slow market adoption of LEO constellations and cause Telesat's LEO revenues to be lower than anticipated. LEO antennas require much greater clearance than GEO antennas because LEO satellites are in constant motion from the perspective of the earth. This may mean that LEO antennas are more difficult to install than anticipated, which could limit the adoption of LEO technology. LEO constellations may also suffer a lack of service availability because heavy rains result in service outages at Ka-band, and the level and frequency of outages may negatively impact the size of the market for LEO services. Additionally, LEO is a new technology, and many potential customers may not be willing to purchase LEO services until this new technology obtains widespread adoption. In particular, if sufficient LEO terminals are not installed prior to the commencement of global service, it could lead to a failure to achieve anticipated revenues on a timeline that supports the Telesat Lightspeed constellation's commercial viability. Moreover, certain users, particularly governments, may have requirements, including security requirements that Telesat is unable to meet, leading to lack of access to important markets.

Telesat's business plan for the Telesat Lightspeed constellation is based on Telesat's own analysis of the total addressable market for the constellation's services. It is possible that Telesat's analysis of the total addressable market for the Telesat Lightspeed constellation is inaccurate and the total addressable market could be materially smaller than Telesat's analysis suggested.

Although Telesat believes there is a significant market for the services Telesat expects to provide with the Telesat Lightspeed constellation, Telesat may not be able to attract enough customers to make the project successful and earn a sufficient return on its investment, which could have a material adverse effect on Telesat's business prospects and financial condition.

Telesat faces robust competition to build and effectively deploy the Telesat Lightspeed constellation, and/or the pursuit of a LEO constellation may negatively impact Telesat's existing business. Telesat also faces increasing competition in Telesat's existing services.

Telesat Lightspeed constellation will also compete with NGSO satellite projects announced by other companies, including OneWeb, SpaceX, SES/O3b, Amazon and others, as well as country-sponsored projects in China and Russia. Some of these potential competitors to Telesat's system have greater access to capital than Telesat has and/or may be at a more advanced stage of development. For example, China and Russia have access to larger amounts of capital and have government-owned satellite manufacturing and launch facilities at their disposal. SpaceX and Amazon are much larger than Telesat, have more diverse sources of revenue and have substantially greater financial resources than Telesat does.

Many of Telesat's competitors have greater access to launch capabilities than Telesat does. OneWeb has already launched dozens of satellites into its constellation and SpaceX has launched over one thousand satellites. Both have announced that they will continue to regularly launch satellites well in advance of when Telesat is expected to begin deploying significant numbers of additional satellites as part of the Telesat Lightspeed constellation. SpaceX has its own in-house launch capability. Blue Origin, a company owned by Amazon's Chairman, current CEO and largest shareholder, Jeff Bezos, is significantly advanced in its development of launch vehicles. Each of Amazon's and SpaceX's greater access to launch vehicles for its own satellites may give it an advantage over Telesat since Telesat does not have in-house capability to launch its own satellites. In the event SpaceX or Blue Origin do not make their launch vehicles available to Telesat, Telesat's access to economically feasible launch vehicles for the Telesat Lightspeed constellation may be limited.

Additionally, some of Telesat's competitors are already providing beta service on their LEO constellations and Telesat believes Telesat will not be the first LEO constellation to market. If Telesat's competitors are able to establish operational constellations before Telesat does, it may be more difficult for Telesat to attract customers for its constellation. Further, to the extent that their constellations make use of Ka-band spectrum, as SpaceX and OneWeb have indicated they will, it may limit Telesat's access to sufficient Ka-band spectrum to operate the Telesat Lightspeed constellation efficiently and profitably. Telesat also anticipates that Telesat will compete with OneWeb, SpaceX, Amazon and other developers of NGSO satellite projects for human capital, and Telesat's failure to recruit and retain a workforce capable of developing and deploying the planned Telesat Lightspeed constellation may cause Telesat to fail to successfully monetize the Telesat Lightspeed constellation.

If successfully implemented, the Telesat Lightspeed constellation may decrease demand for Telesat's other satellite services. Beyond the risk that the Telesat Lightspeed constellation decreases demand for Telesat's existing services, Telesat faces competition in the GEO and medium earth orbit segments, and Telesat's failure to compete in these markets could result in a material adverse effect on Telesat's operations, business prospects and financial condition.

There are numerous risks related to monetizing C-band spectrum, and Telesat may not be able to do so in a timely way or at all.

On February 28, 2020, in the U.S., the FCC approved its Report and Order on Expanding Flexible use of the 3.7 to 4.2 GHz band, which Report and Order was released on March 3, 2020. The Report and Order indicated that Telesat could receive as much as $344.4 million from the repurposing of C-band spectrum. Telesat must take the necessary steps, as proscribed by the Report and Order, to clear the 3700 – 4000 MHz spectrum so that it can be used for 5G without interfering with those who will continue to receive C-band signals from Telesat's satellites. If Telesat is unable to fulfill this condition, Telesat would not be entitled to any proceeds.

On August 27, 2020, ISED launched a public consultation on a similar repurposing of C-band spectrum in Canada. In the consultation document, the Canadian government put forward a proposal to repurpose 60% of C-band spectrum for 5G and rural broadband where the satellite operators would not receive any compensation. The Canadian government included a proposal put forward by Telesat, whereby – as the sole C-band licensee in Canada – Telesat would accelerate the clearing of 60% of C-band spectrum for 5G and be fully responsible for the clearing of the spectrum. In return, Telesat would receive a license for 3700-3900 MHz, which Telesat would sell to the wireless carriers. Comments were submitted to the Canadian government on October 26, 2020 and Reply Comments were submitted on November 30, 2020. Telesat anticipates a decision in 2021. There is no guarantee Telesat will receive any proceeds or funding through this spectrum proceeding in Canada.

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

For all but one of Telesat's GEO satellites, the current expected end-of-orbital maneuver life date goes beyond the manufacturer's end-of-service life date. A number of factors will affect the actual commercial service lives of Telesat's satellites, including: the amount of propellant used in maintaining the satellite's orbital location or relocating the satellite to a new orbital location (and, for newly-launched satellites, the amount of propellant used during orbit raising following launch); the durability and quality of their construction; the performance of their components; conditions in space such as solar flares and space debris; operational considerations, including operational failures and other anomalies; and changes in technology which may make all or a portion of Telesat's satellite fleet obsolete.

Telesat has been forced to remove satellites from service prematurely in the past due to an unexpected reduction in their previously anticipated end-of-orbital maneuver life. It is possible that the actual orbital maneuver lives of one or more of Telesat's existing satellites may also be shorter than originally anticipated. Further, on some of Telesat's satellites it is anticipated that the total available payload capacity may need to be reduced prior to the satellite reaching its end-of-orbital maneuver life.

Telesat periodically reviews the expected orbital maneuver life of each of its satellites using current engineering data. A reduction in the orbital maneuver life of any of Telesat's satellites could result in a reduction of the revenues generated by that satellite, the recognition of an impairment loss and an acceleration of capital expenditures. To the extent Telesat is required to reduce the available payload capacity prior to the end of a satellite's orbital maneuver life, its revenues from the satellite would be reduced.

Telesat's insurance will not protect it against all satellite-related losses. Further, Telesat may not be able to renew insurance on its existing satellites or obtain insurance on future satellites on acceptable terms or at all, and, for certain of Telesat's existing satellites, Telesat has elected to forego obtaining insurance.

Telesat's current satellite insurance does not protect it against all satellite-related losses that it may experience, and it does not have in-orbit insurance coverage for all of the satellites in its fleet. As of December 31, 2020, the total net book value of Telesat's five in-orbit GEO satellites for which it does not have insurance (Nimiq 1, Nimiq 2, Anik F1, Anik F1R, and ViaSat-1) was approximately CAD 23.3 million. Telesat's insurance does not protect it against business interruption, loss of revenues or delay of revenues. Telesat's existing launch and in-orbit insurance policies include specified exclusions, deductibles and material change limitations, and future insurance policies are expected to continue to include such features. Typically, these insurance policies exclude coverage for damage or losses arising from acts of war, anti-satellite devices, electromagnetic or radio frequency interference and other similar potential risks for which exclusions are customary in the industry at the time the policy is written. In addition, they typically exclude coverage for satellite health-related problems affecting Telesat's satellites that are known at the time the policy is written or renewed. Any claims under existing policies are subject to settlement with the insurers and may, in some instances, be payable to Telesat's customers.

The price, terms and availability of satellite insurance has fluctuated significantly in recent years. These fluctuations may be affected by recent satellite launch or in-orbit failures and general conditions in the insurance industry. Launch and in-orbit policies on satellites may not continue to be available on commercially reasonable terms or at all. To the extent Telesat experiences a launch or in-orbit failure that is not fully insured, or for which insurance proceeds are delayed or disputed, it may not have sufficient resources to replace the affected satellite. In addition, higher premiums on insurance policies increase Telesat's costs, thereby reducing its profitability. Future insurance policies may also have higher deductibles, shorter coverage periods, higher loss percentages required for constructive total loss claims and additional satellite health-related policy exclusions, all of which would reduce Telesat's expected profitability. There can be no assurance that, upon the expiration of an in-orbit insurance policy, which typically has a term of one year, Telesat will be able to renew the policy on terms acceptable to it.

Telesat may elect to reduce or eliminate insurance coverage for certain of its existing satellites, or elect not to obtain insurance policies for its future satellites, especially if exclusions make such policies ineffective, the costs of coverage make such insurance impractical or if self-insurance is deemed more cost effective.

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

For the year ended December 31, 2020, Telesat's top five customers together accounted for approximately 63% of Telesat's revenues. At December 31, 2020, Telesat's top five backlog customers together accounted for approximately 89% of its backlog. If any of Telesat's major customers chooses not to renew its contract or contracts at the expiration of the existing terms or seeks to negotiate concessions, particularly on price, it could have a material adverse effect on Telesat's results of operations, business prospects and financial condition. Telesat's customers could experience a downturn in their business or find themselves in financial difficulties, which could result in their ceasing or reducing their use of Telesat's services or becoming unable to pay for services they had contracted to buy. In addition, some of Telesat's customers' industries are undergoing significant consolidation, and Telesat's customers may be acquired by each other or other companies, including by Telesat's competitors. Such acquisitions could adversely affect Telesat's ability to sell services to such customers and to any end-users whom they serve. Some customers have in the past defaulted, and Telesat's customers may in the future default, on their obligations to Telesat due to bankruptcy, lack of liquidity, operational failure or other reasons. Such defaults could adversely affect Telesat's revenues, operating margins and cash flows. If Telesat's contracted revenue backlog is reduced due to the financial difficulties of its customers, Telesat's revenues, operating margins and cash flows would be further negatively impacted.

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

Implementation of Telesat's business strategy requires a substantial outlay of capital. As Telesat pursues its business strategies and seeks to respond to developments in its business and opportunities and trends in its industry, its actual capital expenditures may differ from its expected capital expenditures. There can be no assurance that Telesat will be able to satisfy its capital requirements in the future. In addition, if one of Telesat's satellites failed unexpectedly, there can be no assurance of insurance recovery or the timing thereof and Telesat may need to exhaust or significantly draw upon its amended revolving credit facility or obtain additional financing to replace the satellite. If Telesat determines that it needs to obtain additional funds through external financing and is unable to do so, Telesat may be prevented from fully implementing its business strategy.

The availability and cost to Telesat of external financing depend on a number of factors, including its credit rating and financial performance and general market conditions. Telesat's ability to obtain financing generally may be influenced by the supply and demand characteristics of the telecommunications sector in general and of the satellite services sector in particular. Declines in Telesat's expected future revenues under contracts with customers and challenging business conditions faced by its customers are among the other factors that may adversely affect Telesat's credit and access to the capital markets. Other factors that could impact Telesat's credit rating include the amount of debt in its current or future capital structure, activities associated with strategic initiatives, the health of its satellites, the success or failure of its planned launches, its expected future cash flows and the capital expenditures required to execute its business strategy. The overall impact on Telesat's financial condition of any transaction that it pursues may be negative or may be negatively perceived by the financial markets and rating agencies and may result in adverse rating agency actions with respect to its credit rating and access to the capital markets. Long-term disruptions in the capital or credit markets as a result of uncertainty or recession, changing or increased regulation or failures of significant financial institutions could adversely affect Telesat's access to capital. A credit rating downgrade or deterioration in Telesat's financial performance or general market conditions could limit its ability to obtain financing or could result in any such financing being available only at greater cost or on more restrictive terms than might otherwise be available and, in either case, could result in Telesat deferring or reducing capital expenditures, including on new or replacement satellites.

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

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

Because Telesat's satellites are complex and are deployed in complex environments, Telesat's satellites may have defects that are discovered only after full deployment, which could seriously harm Telesat's business.

Telesat produces highly complex satellites that incorporate leading-edge technology. Telesat's products are complex and are designed to be deployed across complex networks, which in some cases may include over a million users. Because of the nature of these satellites, there is no assurance that Telesat's pre-shipment testing programs will be adequate to detect all defects. As a result, Telesat's customers may discover errors or defects in Telesat's satellites, or Telesat's satellites may not operate as expected after they have been fully deployed. If Telesat is unable to cure an anomaly, Telesat could experience damage to Telesat's reputation, reduced customer satisfaction, loss of existing customers and failure to attract new customers, failure to achieve market acceptance, cancellation of orders, loss of revenues, reduction in backlog and market share, increased service and warranty costs, diversion of development resources, legal actions by Telesat's customers, issuance of credit to customers and increased insurance costs. Defects, integration issues or other performance problems in Telesat's satellites could also result in financial or other damages to Telesat's customers. Telesat's customers could seek damages for related losses from Telesat, which could seriously harm Telesat's business, financial condition and results of operations. The occurrence of any of these problems would seriously harm Telesat's business, financial condition and results of operations

Spectrum values historically have been volatile, which could cause the value of Telesat's business to fluctuate.

A material amount of Telesat's asset value is derived from Telesat's spectrum authorizations. Valuations of spectrum in other frequency bands historically have been volatile, and Telesat cannot predict any future change in the value of Telesat's spectrum and other assets. In addition, to the extent that the ITU or any governmental authority takes action that makes additional spectrum available or promotes the more flexible use or greater availability of existing satellite or terrestrial spectrum allocations, for example, by means of spectrum leasing or new spectrum sales, the availability of such additional spectrum could reduce the value of Telesat's spectrum authorizations and, as a result, the value of Telesat's business.

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

Telesat operates satellites that have been licensed by either Canada, the U.S. or Brazil. As a global satellite operator, Telesat has been granted authorization (sometimes referred to as "market access") to provide services in many countries around the world, while in other countries there is no formal authorization requirement (sometimes referred to as "Open Skies"). Therefore, Telesat is subject to regulation by government authorities in Canada, the U.S. and Brazil, and other countries in which Telesat operates.

In Canada, operations are subject to regulation and licensing by ISED pursuant to the Radiocommunication Act (Canada), and by the Canadian Radio-television and Telecommunications Commission ("CRTC") under the Telecommunications Act (Canada). Certain of Telesat's satellites are licensed by Canada. This includes the GSO Anik satellites F1, F1R, F2, and F3, the GSO Nimiq satellites 1, 2, 4, 5 and 6, and the NGSO Telesat Lightspeed constellation. ISED has the authority to issue licenses for the frequencies used by Canadian satellite systems, issue earth station licenses, and establish policies and standards upon which Telesat's satellites and earth stations depend. The Minister responsible for ISED has broad discretion in exercising this authority to issue licenses, establish and amend conditions of licenses, and to suspend or even revoke them. The CRTC implements the broadcasting policy for Canada and can direct the allocation of satellite capacity to particular broadcasting undertakings. Telesat is required to pay "universal service" charges in Canada and have certain research and development and public benefits obligations that do not apply to other satellite operators with which Telesat competes. These obligations could change at any time. With respect to market access, ISED maintains a list of foreign satellites approved to provide FSS in Canada. Telesat's Telstar 11N, Telstar 12 VANTAGE, Telstar 14R/Estrela do Sul 2 and Telstar 19 VANTAGE satellites are currently authorized to serve the Canadian market in accordance with these procedures.

In the U.S., the FCC regulates the provision of satellite services to, from or within the U.S. Certain of Telesat's satellites are owned and operated through a U.S. subsidiary and are regulated by the FCC. This includes Telstar 11N and Telstar 12 VANTAGE. With respect to market access, operators may apply to have their satellites either placed on the FCC's Permitted Space Station List (for certain frequencies) or be granted a declaratory ruling (for other frequencies). Telesat's Anik FlR, Anik F2, Anik F3, Telstar 14R/Estrela do Sul 2 and Telstar 19 VANTAGE satellites are currently authorized to serve the U.S. market in accordance with these procedures, and Telstar 18 VANTAGE has access to the U.S. market through an earth station authorization. The Telesat Lightspeed constellation has also been granted U.S. market access.

In Brazil, the national telecommunications agency, ANATEL, regulates the granting of exploitation and landing rights to the operation of Brazilian and foreign satellites and their use to transport telecommunication signals. Certain of Telesat's satellites are operated through a Brazilian subsidiary and are regulated by ANATEL pursuant to Concession Agreements. This includes Telstar 14R/Estrela do Sul 2 and Telstar 19 VANTAGE. With respect to market access ANATEL has also accredited the provision of service by foreign operators. Telesat's Telstar 12 VANTAGE and Anik G1 satellites are currently authorized to serve the Brazil market in accordance with these procedures.

Telstar 18 VANTAGE operates at the 138° EL orbital location under agreements with APT, which has been granted the right to use frequencies at the 138° EL orbital location by The Kingdom of Tonga. The ViaSat-1 satellite at the 115° WL orbital location, which has been granted the right to use frequencies at the 115° WL orbital location by the United Kingdom regulatory agency, OFCOM, includes a payload that Telesat owns and operates. The rights to use certain frequencies on Telstar 12 VANTAGE, Telstar 18 VANTAGE and Telstar 19 VANTAGE have also been granted by OFCOM.

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

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

In a number of countries, regulators are considering and may adopt new spectrum allocations for terrestrial mobile broadband and 5G, including in bands that are currently allocated to satellite services. New spectrum allocations may require satellite operators to vacate or share spectrum and may limit the spectrum that is available for satellite services, which could adversely impact Telesat's business.

The export from the U.S. of satellites and technical information related to satellites, earth station equipment and provision of services to certain countries are subject to Department of State, Department of Commerce and Department of the Treasury regulations, in particular the ITAR, which currently include satellites on the list of items requiring export permits. These ITAR provisions may constrain Telesat's access to technical information and may have a negative impact on Telesat's international consulting revenues. In addition, Telesat and Telesat's satellite manufacturers may not be able to obtain and maintain necessary export authorizations, which could adversely affect Telesat's ability to procure new U.S.-manufactured satellites; control existing satellites; acquire launch services; obtain insurance and pursue Telesat's rights under insurance policies; or conduct Telesat's satellite-related operations and consulting activities.

The planned Telesat Lightspeed constellation will depend on the use of spectrum; regulations governing NGSO spectrum rights, including requirements to share spectrum, remain uncertain and could materially impact the Telesat Lightspeed constellation's system capacity.

In order to operate the Telesat Lightspeed constellation efficiently and in a commercially viable manner, Telesat will require access to a sufficient amount of spectrum. Telesat currently holds an authorization from Canada for an NGSO network in Ka-band. However, the regulatory framework relating to NGSO spectrum rights is not fully specified. Some of the international and domestic regulations governing NGSO satellites are undergoing revision or have yet to be established. Canada, the U.S. and the ITU have adopted deployment milestones for NGSO systems. These milestones could adversely impact Telesat's ability to maintain the priority of Telesat's rights for the planned Telesat Lightspeed constellation and could affect Telesat's ability to maintain authorizations or lead to restrictions on the number of satellites Telesat is permitted to operate under these authorizations.

In addition, while the international rules governing coordination between satellite systems are well established and rely on international filing date priority, the U.S. has adopted a different approach to NGSO-NGSO coordination that requires band splitting during in-line interference events if NGSO operators are unable to reach a coordination agreement. As a result, the amount of spectrum that may be available to Telesat for Telesat's Telesat Lightspeed constellation in the U.S. is uncertain. It is possible that other jurisdictions may adopt the U.S. approach. Some of the spectrum utilized by the Telesat Lightspeed constellation is also allocated to terrestrial fixed and mobile services and GSO satellite services. Other portions of the spectrum Telesat plans to use are under consideration for being designated or have been designated for terrestrial fixed and mobile services. While some jurisdictions have established rules for sharing the spectrum, many jurisdictions have yet to address this issue. In addition, even under the international rules governing coordination between satellite systems, while the process for sharing spectrum is well established with respect to GSO systems, it is only now being implemented for the first time for large, broadband NGSO systems. Because the coordination of NGSO systems is both highly technically complex and new, uncertainties exist about spectrum sharing, which may limit Telesat's ability to operate and hence monetize the Telesat Lightspeed constellation. Consequently, Telesat's ability to use shared spectrum for the Telesat Lightspeed constellation may be adversely impacted by new rules, the implementation of existing rules or the absence of rules for spectrum sharing.

In order to successfully sell services on the Telesat Lightspeed constellation, Telesat will require market access to each country in which Telesat's customers are located. It is uncertain if Telesat will be successful in obtaining market access to all of the countries needed to make the Telesat Lightspeed constellation commercially successful.

There are certain environmental risks that have been raised in opposition to LEO constellations, including the potential for increased orbital debris and "light pollution" associated with light reflecting off satellites in the night sky. To the extent that governments impose restrictions or additional regulations to address any environmental concerns regarding LEO constellations, it may adversely impact Telesat's ability to successfully deploy the Telesat Lightspeed constellation.

Replacing a satellite upon the end of its service life will require Telesat to make significant expenditures and may require Telesat to obtain shareholder approval and Telesat may choose not to, or be unable to, replace some of Telesat's satellites upon their end of life.

To ensure no disruption in Telesat's GEO business and to prevent loss of its customers, Telesat will be required to commence construction of a replacement satellite approximately five years prior to the expected end of service life of the satellite then in orbit. Typically, the construction, launch and insurance of a GEO satellite costs in the range of $250 million to $300 million. There can be no assurance that Telesat will have sufficient cash, cash flow or be able to obtain third-party or shareholder financing to fund such expenditures on favorable terms, if at all, or that Telesat will obtain shareholder approval to procure replacement satellites.

Certain of Telesat's satellites are nearing their expected end-of-orbital maneuver lives. Should Telesat not have sufficient funds available to replace those satellites or should Telesat not receive approval from its shareholders to purchase replacement satellites, it could have a material adverse effect on Telesat's results of operations, business prospects and financial condition. In order to justify the cost of replacing a satellite at the end of its life, there must be sufficient demand for services, and sufficient spectrum available to Telesat to provide those services, such that a reasonable business case can be made for its replacement. If there is insufficient demand for a replacement, or if Telesat does not have sufficient spectrum available to it as a result of the repurposing of C-band spectrum for terrestrial use or otherwise, Telesat may choose not to replace a satellite at the end of its life.

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

Telesat operates an extensive ground infrastructure including a satellite control center in Ottawa, Ontario, its main earth station and back up satellite control facility at Allan Park, Ontario, nine earth stations throughout Canada, one teleport located in the United States and one in Brazil. These ground facilities are used for controlling Telesat's satellites and/or for the provision of end-to-end services to Telesat's customers.

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

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

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

The ITU, a specialized United Nations agency, regulates the global allocation of radio frequency spectrum and the registration of radio frequency assignments at any associated satellite orbit. Telesat participates in the activities of the ITU; however, only national administrations have full standing as ITU members. Consequently, Telesat must rely on the relevant government administrations to represent Telesat's interests.

Access to the radio frequency spectrum is governed by the ITU Radio Regulations, established in accordance with an international treaty, which contains the rules concerning frequency allocations and the procedure to obtain rights to use radio frequency assignments. The ITU Radio Regulations are periodically reviewed and revised at World Radiocommunication Conferences ("WRC"), which take place typically every three to four years. Terrestrial operators are increasingly seeking additional radio frequency assignments, including frequencies currently designated for exclusive or shared use by satellite systems, to support the increasing demand for terrestrial services. As a result, Telesat cannot guarantee that the ITU will not change its allocation decisions and rules in the future in a way that could limit or preclude Telesat's use of some or all of Telesat's existing or future spectrum.

The ITU Radio Regulations define the coordination, notification and recording procedures to obtain rights to use frequencies, including those frequencies used by Telesat's GEO satellites, and the planned Telesat Lightspeed constellation. In most of the frequency bands used or intended to be used by Telesat, a "first-come, first-served" procedure applies among geostationary orbit ("GSO") systems or among NGSO systems where by earlier-registered satellite systems are protected from interference due to later-registered satellite systems. Between NGSO and GSO, in some cases NGSO must protect GSO and in some cases a "first-come, first-served" procedure applies. In order to comply with these rules, Telesat must coordinate the operation of Telesat's satellites, including any replacement satellite that has performance characteristics that are different from those of the satellite it replaces, with other satellites. This process requires potentially lengthy and costly negotiations with parties who operate or intend to operate satellites that could affect or be affected by Telesat's satellites.

In certain countries, a failure to resolve coordination issues is used by regulators as a justification to limit or condition market access by foreign satellite operators. In addition, while the ITU Radio Regulations require later-in-time systems to coordinate their operations with Telesat's, Telesat cannot guarantee that other operators will conduct their operations so as to avoid transmitting any signals that would cause harmful interference to the signals that Telesat, or Telesat's customers, transmit. In the extreme, this interference could require Telesat to take steps, or pay or refund amounts to customers that could have a material adverse effect on results of operations, business prospects and financial condition. The ITU's Radio Regulations do not contain mandatory dispute resolution or enforcement regulations and neither the ITU specifically, nor international law generally, provides clear remedies if the ITU coordination process fails. Failure to coordinate Telesat's satellites' frequencies successfully or to obtain or maintain other required regulatory approvals could have an adverse effect on Telesat's results of operations, business prospects and financial condition, as well as on the value of Telesat's business.

If Telesat does not make use of Telesat's spectrum rights by specified deadlines, or does not continue to use the spectrum rights Telesat currently uses, these rights may become available for other satellite operators to use.

Telesat's in-orbit satellites do not currently occupy all of the GSO locations for which Telesat has obtained spectrum authorizations. In some cases, Telesat's satellite that occupies a GSO location is not designed to use all of the frequency spectrum for which Telesat has been authorized. Similarly, Telesat has been granted regulatory authorizations for certain spectrum in NGSO orbits that are not yet occupied at all or in which the full complement of satellites has not yet been deployed.

In accordance with the ITU Radio Regulations, governments have rights to use radio frequencies assignments at certain GSO orbital locations and in NGSO orbits. Certain of these governments have in turn authorized Telesat to use these radio frequency assignments. Under the ITU Radio Regulations, Telesat must bring into use ("BIU") these frequency assignments within a fixed period of time, or the governments in question would lose their international priority rights, and the frequencies at the GSO orbital location or in the NGSO orbit likely would become available for use by another satellite operator. In addition to ITU requirements, the governments that have authorized Telesat to use these orbital resources have generally conditioned such use on Telesat meeting certain milestones, including making use of the spectrum by a specified time.

If Telesat is unable to place satellites at GSO locations or into NGSOs in a manner that satisfies the ITU Radio Regulations and national regulatory requirements, or if the ITU or national regulatory requirements were to change, or if Telesat is unable to maintain satellites or make use of all of the spectrum for which Telesat has been authorized at the GSO locations that Telesat currently uses, Telesat may lose Telesat's rights to use these orbital resources and they would become available for other satellite operators to use. The loss of one or more of Telesat's orbital resources could negatively affect Telesat's plans and ability to implement Telesat's business strategy.

Telesat needs to modify the authorizations from Canada and the U.S. for Telesat Lightspeed and there is no guarantee that Canadian and U.S. authorities will approve such modifications.

The parameters of Telesat's current Ka-band Telesat Lightspeed constellation design align with the parameters of the spectrum license from Canada; however, it may be necessary to amend the milestones in the conditions of license. There is no assurance that such amendment request would be approved. The parameters of Telesat's current Ka-band Telesat Lightspeed constellation design differ from the parameters of the market access grant from the U.S. Telesat applied on May 26, 2020 to modify Telesat's U.S. market access grant to match the parameters of Telesat's final Ka-band Telesat Lightspeed constellation design. There is no assurance that the modification will be approved or, if approved, that it will not have conditions that preclude Telesat from being able to deliver an acceptable level of service in the U.S.

Telesat's failure to maintain or obtain authorizations under and comply with the U.S. export control and trade sanctions laws and regulations could have a material adverse effect on its results of operations, business prospects and financial condition.

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

If Telesat does not obtain required security clearances from, and comply with any agreements entered into with, the U.S. Department of Defense, or if Telesat does not comply with U.S. law, Telesat may not be able to continue to sell Telesat's LEO services to the U.S. government.

To participate in classified U.S. government programs, Telesat may seek and obtain security clearances for one or more of Telesat's subsidiaries from the U.S. Department of Defense. Given Telesat's foreign domestication, Telesat may be required to enter into one or more agreements with the U.S. government that may limit Telesat's ability to control the operations of this subsidiary, as required under the national security laws and regulations of the U.S. If Telesat does not obtain these security clearances, Telesat's ability to sell LEO services to the U.S. government will be limited. As a result, Telesat's business could be materially and adversely affected.

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

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

Reductions in government spending could reduce demand for Telesat's services.

Governments, in particular the U.S. government, purchase a substantial amount of satellite services from commercial satellite operators, including Telesat. Spending authorizations for defense-related and other programs by the U.S. government have fluctuated in the past, and future levels of expenditures and authorizations for these programs may decrease, remain constant or shift to programs in areas where Telesat does not currently provide services. To the extent the U.S. government and its agencies reduce spending on commercial satellite services, this could adversely affect Telesat's revenue and operating margins. Many governments provide funding for satellite services that are used to provide broadband connectivity to rural and remote communities and those with limited terrestrial infrastructure. To the extent these governments reduce spending on satellite services, as a result of the need to reduce overall spending during periods of fiscal restraint, to reduce budget deficits or otherwise, demand for Telesat's services could decrease which could adversely affect Telesat's revenue, the prices it is able to charge for services and its results of operations, business prospects and financial condition.

Telesat is subject to risks associated with doing business internationally.

Telesat's operations internationally are subject to risks that are inherent in conducting business globally. Telesat is subject to compliance with the United States Foreign Corrupt Practices Act ("FCPA") and other similar anti-corruption laws, which generally prohibit companies and their intermediaries from making improper payments to foreign government officials for the purpose of obtaining or retaining business. While Telesat's employees and contractors are required to comply with these laws, Telesat cannot be sure that its internal policies and procedures will always protect it from violations of these laws, despite Telesat's commitment to legal compliance and corporate ethics. Violations of these laws may result in severe criminal and civil sanctions as well as other penalties, and the SEC and U.S. Department of Justice have increased their enforcement activities with respect to the FCPA. The occurrence or allegation of these types of risks may adversely affect Telesat's business, performance, financial condition and results of operations.

The uncertainty regarding the potential phase-out of LIBOR may negatively impact Telesat's operating results.

The London Interbank Offered Rate ("LIBOR"), the interest rate benchmark used as a reference rate on Telesat's variable rate debt, including Telesat's revolving credit facility, term loan, and interest rate swaps is expected to be phased out by the end of 2021, when private-sector banks are no longer required to report the information used to set the rate. Without this data, LIBOR may no longer be published, or the lack of quality and quantity of data may cause the rate to no longer be representative of the market. As of December 31, 2020, Telesat has outstanding $1,552.8 million of indebtedness that matures after 2021 and includes LIBOR as a reference rate. At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR, although the U.S. Federal Reserve, in connection with the Alternative Reference Rates Committee, a steering committee composed of large U.S. financial institutions selected the Secured Overnight Financing Rate ("SOFR") as the rate that represents best practice for replacing U.S. dollar LIBOR for use in new U.S. dollar derivatives and other financial contracts, and has recommended a paced transition plan that involves the creation of a reference rate based on SOFR by the end of 2021. SOFR is a more generic measure than LIBOR and considers the cost of borrowing cash overnight, collateralized by U.S. Treasury securities. Although there have been debt issuances utilizing SOFR, it is unknown whether it will attain market acceptance as a replacement for LIBOR. Moreover, it remains unclear whether the cessation of LIBOR will be further delayed due to COVID-19 or what form any delay may take, and there are no assurances that there will be a delay. It is also unclear what the duration and severity of COVID-19 will be, and whether this will impact LIBOR transition planning. COVID-19 may also slow regulators' and others' efforts to develop and implement alternative reference rates, which could make LIBOR transition planning more difficult, particularly if the cessation of LIBOR is not delayed but an alternative reference rate does not emerge as industry standard. Given the inherent differences between LIBOR and SOFR or any other alternative benchmark rate that may be established, there are many uncertainties regarding a transition from LIBOR, including but not limited to the need to amend some or all contracts with LIBOR as the reference rate and how this will impact Telesat's cost of variable rate debt and certain derivative financial instruments. Telesat will also need to consider new contracts and if they should reference an alternative benchmark rate or include suggested fallback language, as published by the Alternative Reference Rates Committee. The consequences of these developments with respect to LIBOR cannot be entirely predicted and span multiple future periods but could result in an increase in the cost of Telesat's variable rate debt or derivative financial instruments which may be detrimental to Telesat's financial position or results of operations.

Telesat's dependence on outside contractors could result in delays related to the design, manufacture and launch of its new satellites, or could limit its ability to sell its services, which could adversely affect Telesat's operating results and prospects.

Any delays in the design, construction or launch of Telesat's satellites could have a material adverse effect on Telesat's results of operations, business prospects and financial condition. There are a limited number of manufacturers that are able to design and build satellites according to the technical specifications and standards of quality Telesat requires, including Airbus Defense and Space, Thales Alenia Space, Boeing, Lockheed Martin, MELCO, Orbital and Maxar. Telesat also relies on the manufacturers of its satellites to provide support throughout the life of the satellite in the event it should suffer an anomaly. If any of Telesat's manufacturers' businesses fail, it could adversely impact Telesat's ability to overcome a satellite anomaly and maintain its satellites in service, in whole or in part. There are also a limited number of suppliers able to launch such satellites, including International Launch Services, Arianespace, Mitsubishi Heavy Industries, SpaceX and Lockheed Martin. Should any of Telesat's manufacturers' or launch suppliers' businesses fail, it would reduce competition and could increase the cost of satellites and launch services. Adverse events with respect to any of Telesat's manufacturers or launch suppliers could also result in the delay of the design, construction or launch of satellites.

General economic conditions may also affect the ability of Telesat's manufacturers and launch suppliers to provide services on commercially reasonable terms or to fulfill their obligations in terms of manufacturing schedules, launch dates, pricing or other items. Even where alternate suppliers for such services are available, Telesat may have difficulty identifying them in a timely manner, or may incur significant additional expense in changing suppliers, and this could result in difficulties or delays in the design, construction or launch of Telesat's satellites.

Telesat's future reported net income and asset values could be adversely affected by impairments of the value of goodwill and intangible assets.

The assets listed on Telesat's consolidated balance sheet as of December 31, 2020 include goodwill with a carrying value of approximately CAD 2.4 billion and other intangible assets with a carrying value of approximately CAD 217 million. Goodwill and other intangible assets are qualitatively assessed for indicators of impairment. If the qualitative assessment concludes an indication of impairment, a quantitative impairment test of goodwill and other intangible assets (such as orbital locations) with indefinite useful lives is undertaken. Telesat measures for the quantitative impairment test using a projected discounted cash flow method and confirms the assessment using other valuation methods. If the asset's carrying value is more than its recoverable amount, the difference is recorded as a reduction in the amount of the asset on the balance sheet and an impairment charge in the statement of income. Quantitative testing for impairment requires significant judgment by management to determine the assumptions used in the impairment analysis. Any changes in the assumptions used could have a material impact on the impairment analysis and result in an impairment charge. Telesat cannot predict whether an event that triggers impairment will occur, when it will occur or how it will affect the reported asset values. If Telesat's goodwill or other intangible assets are deemed to be impaired in whole or in part, it could be required to reduce or write-off such assets, which could have a material adverse effect on its financial condition.

Telesat may pursue acquisitions, dispositions and strategic transactions which could result in the incurrence of additional costs, liabilities or expenses in connection with the implementation of such transactions.

In the future, Telesat may pursue acquisitions, dispositions and strategic transactions, which may include joint ventures and strategic relations, as well as business combinations or the acquisition or disposition of assets. Acquisitions, dispositions and strategic transactions involve a number of risks, including: potential disruption of ongoing business; distraction of management; may result in Telesat being more leveraged; the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; increasing the scope and complexity of Telesat's operations; and loss or reduction of control over certain of Telesat's assets.

The presence of one or more material liabilities of an acquired company that are unknown to Telesat at the time of acquisition could have a material adverse effect on its results of operations, business prospects and financial condition. A strategic transaction may result in a significant change in the nature of Telesat's business, operations and strategy. In addition, Telesat may encounter unforeseen obstacles or costs in implementing a strategic transaction.

Telesat continues to evaluate the performance of all of its businesses and may sell businesses or assets. Such a sale could include a strategic disposition of one or more of Telesat's satellites. In addition to the risks listed above that may occur with any acquisition, disposition or strategic transaction, a satellite divestiture could result in a loss of revenues or significant write-offs, including those related to goodwill and other intangible assets, which could have a material adverse effect on Telesat's financial condition, results of operations and cash flows. There can be no assurance that Telesat will be successful in addressing these or any other significant risks encountered.

IV. Other Risks

Threats to public health, and measures taken in response to them, may have an adverse effect on Telesat's or our business and results of operations.

Telesat's or our business and results of operations have been and may continue to be adversely affected by the current outbreak of COVID-19, and by measures taken to prevent its spread, including restrictions on travel, imposition of quarantines, cancellation of events, remote working, and closure of workplaces and other businesses. Telesat's or our business and results of operations may also be negatively impacted by the adverse effect that COVID-19 has had and may continue to have on global economic activity, which may include a period of prolonged global or regional economic slowdowns or recessions. The extent of the impact of COVID-19 is subject to change and dependent on many factors, including, among others, the duration of the pandemic, the success and timing of the vaccination rollout, and the measures that may be implemented by, or that may be imposed upon, us, Telesat and Telesat's customers and suppliers in response to the pandemic, and is therefore difficult to predict. COVID-19 could also impact Telesat's or our ability to attract capital to finance business strategies, such as the development of the Telesat Lightspeed constellation and related network, and also could increase Telesat's cost of borrowing.

Telesat's customers in the maritime and aeronautical markets have been significantly impacted by the COVID-19 pandemic and measures implemented in response to it. At the request of some of these customers, Telesat has agreed to amend the terms of certain of their contracts to mitigate the adverse financial impact that COVID-19 is having on their respective businesses. Other Telesat customers may make similar request in the future and Telesat may enter into similar arrangements. The arrangements into which Telesat has entered, and into which Telesat may enter in the future, will have an adverse impact on Telesat's revenues in the near term. In addition, certain of Telesat's maritime and aeronautical customers commenced voluntary bankruptcy proceedings. As a result, Telesat had to record a provision for bad debt expense for certain accounts receivable with these customers given the risk that Telesat may not receive payment for all, or substantially all, of the amounts owed to it. Further, bankruptcy laws permit the party in bankruptcy to choose to reject any existing contracts into which they have entered. To the extent they choose to reject the contracts they have with Telesat, Telesat's customers' obligations under those contracts would be voided and Telesat's revenues would be adversely impacted. Moreover, Telesat may not be able to sell the resulting excess capacity on favorable terms, if at all. The adverse effects of the COVID-19 pandemic could result in some of Telesat's other customers entering into bankruptcy in the future, or otherwise defaulting on their obligations to pay for Telesat's services, including the customers to whom Telesat has provided contractual relief. In any of these circumstances, Telesat's revenues, operating income and cash flows would be negatively impacted.

Telesat purchases equipment from third-party suppliers and depends on those suppliers to deliver, maintain and support these products to the contracted specifications in order to meet Telesat's service commitments to its customers. Additionally, Telesat is currently developing an advanced LEO constellation consisting of several hundred satellites in non-geostationary orbit. There are a limited number of manufacturers that are able to design and build satellites and ground terminals according to the technical specifications and standards of quality Telesat requires and a limited number of launch providers that are able to launch Telesat's satellites. If Telesat's suppliers do not meet their obligations to deliver and support their equipment due to operational challenges, temporary or permanent shut downs, severe financial hardship or bankruptcy due to the COVID-19 pandemic, or disruptions in their own supply chains, Telesat's ability to meet its service commitments to its customers may be adversely affected and the design, construction or launch of the Telesat Lightspeed constellation or components of the network that support it may be delayed.

Telesat's and our corporate headquarters and many of Telesat's other offices and facilities, are located in jurisdictions that instituted work from home and social distancing requirements. These restrictions adversely impacted the ability of Telesat's and our employees to travel to their places of work, and, in the case of Telesat employees, to customer locations and to supplier facilities. Telesat and we enacted work from home policies for our respective employees effective March 16, 2020, which in the case of Telesat are ongoing; in our case, although we have adopted a plan for re-opening of our office in accordance with local regulations and guidance, our employees are nevertheless encouraged to work, and are generally still working, remotely. Telesat has also implemented processes that allow for a minimum number of its employees to be present at Telesat's facilities, primarily in an attempt to further ensure that its satellite control and network operations are not impacted. To date, Telesat and we have maintained our respective operations without any known material adverse impact on operations. The future effects of the COVID-19 pandemic on Telesat and us are dependent on many factors, including, among others, the duration and severity of the pandemic, whether a significant number of Telesat's or our respective employees supporting critical operations were to contract COVID-19, whether the current measures to prevent the spread of COVID-19 continue, and whether new restrictions are imposed; the extent of the continuing impact of the COVID-19 pandemic on Telesat's or our business and results of operations is, therefore, difficult to predict. In the event that Telesat's or our ability to operate our respective businesses is adversely impacted by the COVID-19 pandemic or by measures taken to prevent its spread, Telesat's revenue and Telesat's or our financial performance could be adversely affected.

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.

Interruption or failure of, or cyber-attacks on, Telesat's or our information technology and communications systems, data breaches, data theft, unauthorized access or hacking could materially hurt Telesat's or our reputation and ability to operate our respective businesses effectively, any of which could harm Telesat's or our business and operating results.

Telesat's and our ability to operate our respective businesses depends, in part, on the secure and uninterrupted performance of Telesat's and our information technology and communications systems, which are an integral part of Telesat's and our businesses. We and Telesat rely on our information and communications systems, as well as on software applications developed internally and externally to, among other things, effectively manage the accounting and financial functions, including maintaining internal controls, and, in the case of Telesat, operate Telesat's satellites and satellites for third parties, provide consulting services by Telesat to customers and transmit customer proprietary and/or confidential content and assist with other operations. An increasing number of companies have disclosed breaches of their security, some of which have involved sophisticated and highly targeted attacks on their computer networks. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we and Telesat may be unable to anticipate these techniques or implement adequate preventive measures. If unauthorized parties gain access to Telesat's or our information technology systems, they may be able to misappropriate assets, including confidential trade secrets and intellectual property assets, which, in the case of Telesat, could be used to compete against Telesat's business and otherwise adversely impact Telesat's competitive position. They could also access sensitive information (such as personally identifiable information of Telesat's customers and Telesat's and our business partners and employees ("Stakeholders")), cause interruption in Telesat's or our operations, cause corruption of data or computers, or otherwise damage Telesat's or our reputation and business. In such circumstances, we or Telesat could be held liable to our respective Stakeholders or other parties, or be subject to regulatory or other actions for breaching privacy rules.

While we and Telesat continue to bolster systems with additional security measures, and, working with external experts, mitigate the risk of security breaches, systems may be vulnerable to theft, loss, damage and interruption from a number of potential sources and events, including unauthorized access or security breaches, inclement weather, natural or man-made disasters, earthquakes, explosions, terrorist attacks, floods, fires, cyber-attacks, computer viruses, power loss, telecommunications or equipment failures, transportation interruptions, accidents or other disruptive events or attempts to harm our or Telesat's systems. In addition, Telesat's and our facilities are also potentially vulnerable to break-ins, sabotage and intentional acts of vandalism. Telesat's and our disaster recovery planning cannot account for all eventualities. Telesat's or our business and operations could be adversely affected if, as a result of a significant cyber event or otherwise, operations are disrupted or shut down, confidential or proprietary information is stolen or disclosed, Telesat loses customers, costs are incurred or fines are required in connection with confidential or export-controlled information that is disclosed, significant resources are dedicated to system repairs or to increase cyber security protection or we or Telesat otherwise incur significant litigation or other costs as a result of any such event. A serious disruption to systems could significantly limit Telesat's or our ability to manage and operate Telesat's or our business efficiently, which in turn could have a material adverse effect on Telesat's or our business, reputation, results of operations and financial condition. Furthermore, any compromise of Telesat's or our security could result in a loss of confidence in Telesat's or our security measures, and subject us or Telesat to litigation, civil or criminal penalties, or negative publicity that could adversely affect Telesat's or our financial condition and results of operations.

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

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

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

Portions of Telesat's revenue and expenses and all of its debt are denominated in U.S. dollars and changes in the U.S. dollar/Canadian dollar exchange rate may have a negative impact on Telesat's financial results and affect the ability of Telesat to repay or refinance its borrowings. Telesat's main currency exposures as of December 31, 2020 lie in its U.S. dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and indebtedness, with the most significant impact being on the U.S. dollar denominated indebtedness. In addition, approximately 53% of Telesat's revenues, 46% of its operating expenses, 100% of its interest expense and a majority of its capital expenditures for 2020 were denominated in U.S. dollars. As of December 31, 2020, a five percent increase (decrease) in the value of the Canadian dollar against the U.S. dollar on financial assets and liabilities would have increased (decreased) Telesat's net income by approximately $124.6 million. This analysis assumes all other variables, in particular interest rates, remain constant.

Loral reports its investment in Telesat using the equity method of accounting. Loral reports its investment in Telesat in U.S. dollars while Telesat reports its financial results in Canadian dollars. As a result, Telesat's results of operations are subject to conversion from Canadian dollars to U.S. dollars. Changes in the U.S. dollar relationship to the Canadian dollar affect how Telesat's financial results are reported in our consolidated financial statements. During 2020, the exchange rate moved from U.S. $1.00/CAD 1.2990 at December 31, 2019 to U.S. $1.00/CAD 1.2725 at December 31, 2020.

The soundness of financial institutions and counterparties could adversely affect Telesat or us.

We and Telesat have exposure to many different financial institutions and counterparties (including those under credit, financing and insurance arrangements), including brokers and dealers, commercial banks, investment banks, insurance providers and other institutions and industry participants. We and Telesat are exposed to risk, including credit risk resulting from many of the transactions executed in connection with hedging activities, in the event that any lenders or counterparties, including insurance providers, are unable to honor their commitments or otherwise default under an agreement with Telesat or us.

The loss of executive officers and our inability to retain other key personnel could materially adversely affect our operations or ability to pursue strategic alternatives.

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

Also, we have retained Michael B. Targoff, our former chief executive officer and president, as a consultant, in particular to provide assistance and guidance in the oversight of strategic matters relating to Telesat and XTAR. The consulting agreement may be terminated by either the Company or Mr. Targoff at any time for any reason or for no reason on ten days prior notice. There can be no assurance that Mr. Targoff will not terminate the agreement, and, were he to do so, the ability of the Company to close and implement the Transaction, or maintain its presence on the XTAR board of managers, could be adversely affected.

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

As of December 31, 2020, various funds affiliated with MHR and Dr. Rachesky held approximately 39.9% of the outstanding voting common stock of Loral as well as all issued and outstanding shares of Loral non-voting common stock, which, when taken together, represent approximately 58.4% of the outstanding common equity of Loral as of December 31, 2020. As of March 5, 2021, representatives of MHR occupy two of the seven seats on our Board of Directors. One seat on our board, previously occupied by a former managing principal of MHR, is currently vacant. In addition, one of our other directors was selected by the creditors' committee in our predecessor's chapter 11 cases, in which MHR served as the chairman. Conflicts of interests may arise in the future between us and MHR. For example, MHR and its affiliated funds are in the business of making investments in companies and may acquire and hold interests in businesses that compete directly or indirectly with us. Under our agreement with PSP, subject to certain exceptions, in the event that either (i) ownership or control, directly or indirectly, by Dr. Rachesky, of our voting stock falls below certain levels other than in certain specific circumstances 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, we will lose our veto rights relating to certain actions by Telesat. In addition, after either of these events, PSP will have certain rights to enable it to exit from its investment in Telesat, including a right to cause Telesat to conduct an initial public offering in which PSP's shares would be the first shares offered or, if no such offering has occurred within one year due to a lack of cooperation from Loral or Telesat, to cause the sale of Telesat and to drag along the other shareholders in such sale, subject to our right to call PSP's shares at fair market value.

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

Trading activity in our voting common stock, which is listed on the Nasdaq Global Select Market, has generally been light, averaging approximately 181,000 shares per day for the year ended December 31, 2020. Moreover, over 50% of our voting common stock is effectively held by MHR and several other stockholders. If any of our significant stockholders should sell some or all of their holdings, it will likely have an adverse effect on our share price. Although the funds affiliated with MHR have restrictions on their ability to sell our shares under U.S. securities laws, we have filed a shelf registration statement in respect of the voting common stock and non-voting common stock they hold in Loral that effectively eliminates such restrictions. Such funds also have other demand and piggyback registration rights in respect of their Loral voting common stock and non-voting common stock that would also, if exercised, effectively eliminate such restrictions.

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

As of December 31, 2020, 21,427,078 shares of our voting common stock and 9,505,673 shares of our non-voting common stock were outstanding. On that date, there were also outstanding 98,917 vested restricted stock units. These restricted stock units may be settled either in cash or Loral voting common stock at the Company's option.

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

Changes in tax rates or policies or changes to our tax liabilities could affect operating results.

We are subject to U.S. federal, state and local income taxation on our worldwide income and foreign taxes on certain income from sources outside the United States. Telesat is subject to income taxes in Canada and numerous foreign jurisdictions. Significant judgment is required to determine and estimate tax liabilities, and future annual and quarterly tax rates could be affected by numerous factors, including changes in the applicable tax laws, composition of earnings in countries or states with differing tax rates, valuation and utilization of deferred tax assets and liabilities and the outcome of income tax audits in various jurisdictions around the world. Many countries have or are expected to adopt changes to tax laws as a result of the Base Erosion and Profit Shifting final proposals from the Organization for Economic Co-operation and Development and specific country anti-avoidance initiatives. Such tax law changes increase uncertainty and may adversely affect our results of operations. Although we believe our tax estimates are reasonable, we regularly evaluate the adequacy of our provision for income taxes, and there can be no assurance that any final determination by a taxing authority will not result in additional tax liability which could have a material adverse effect on our results of operations.

The future use of tax attributes is limited.

As of December 31, 2020, we had various tax attributes including carryforwards for federal net operating losses (“NOLs”) of $43.1 million and foreign tax credits (“FTCs”) of $109.6 million and state NOLs that are available to offset future tax liability (see Notes 2 and 7 to the Loral consolidated financial statements for a description of the accounting treatment of such tax attributes). As our emergence from bankruptcy on November 21, 2005 constituted an “ownership change” under Section 382 of the Internal Revenue Code, our ability to use these tax attributes existing at such effective date is subject to an annual limitation of approximately $32.6 million (tax effect of $6.8 million), subject to increase or decrease based on certain factors. If Loral experiences an additional “ownership change” during any three-year period after November 21, 2005, future use of these tax attributes may become further limited. An ownership change may be triggered by sales or acquisitions of Loral equity interests in excess of 50% by shareholders owning five percent or more of our total equity value, i.e., the total market value of our equity interests, as determined on any applicable testing date. A strategic transaction with respect to our ownership interest in Telesat could result in such an ownership change. We would be adversely affected by an additional “ownership change” if, at the time of such change, the total market value of our equity multiplied by the federal applicable long-term tax exempt rate, which at March 1, 2021 was 1.22%, was less than $32.6 million. As of March 1, 2021, the total market value of our equity ($1.5 billion) multiplied by the federal applicable long-term tax exempt rate was approximately $18.1 million.

We are subject to the Foreign Corrupt Practices Act.

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

Declines in the stock market and reductions in interest rates will increase our pension plan’s unfunded status resulting in increased pension liabilities on our balance sheet and may require us to increase our pension plan contributions or make such contributions earlier than anticipated, thereby having an adverse effect on our financial position.

Our qualified pension plan is invested primarily in equity and fixed income investments. Steep declines in the equity markets will have the effect of reducing our pension plan assets, thereby increasing the plan’s unfunded status, resulting in increased pension liabilities on our balance sheet. In addition, reductions in interest rates, whether in connection with the Federal Reserve attempting to stabilize the markets or otherwise, will have the effect of increasing our pension plan obligations. A significant reduction in pension plan assets and/or increase in pension plan obligations will increase pension liabilities on our balance sheet and may have the effect of requiring us to increase our contributions to our pension plan or make such contributions earlier than we anticipated thereby having an adverse effect on our financial position.

Third parties have significant rights with respect to our affiliates.

Third parties have significant rights with respect to, and we do not have control over management of, our affiliates. For example, while we own 62.6% of the participating shares of Telesat, we own only 32.6% of the voting power. Also, Hisdesat enjoys substantial approval rights in regard to XTAR, our X-band joint venture. The rights of these third parties and fiduciary duties under applicable law could result in others acting or failing to act in ways that are not in our best interest.

The Telesat information in this report other than the information included in the audited financial statements is based solely on information provided to us by Telesat.

Because we do not control Telesat, we do not have the same control and certification processes with respect to the information contained in this report on Telesat that we would have if we controlled Telesat. We are also not involved in managing Telesat's day-to-day operations. Accordingly, the Telesat information contained in this report other than the information included in the audited financial statements is based solely on information provided to us by Telesat and has not been separately verified by us.

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

None.

Item 2. ***Properties***

Corporate

We lease approximately 8,000 square feet of space for our corporate offices in New York, NY.

Satellite Services

Telesat's primary SCC is located at its headquarters in Ottawa, Ontario. This facility operates LEO 1, 13 of Telesat's 15 geostationary satellites as well as ViaSat-1 and numerous other satellites for third parties. Telesat's Telstar 14R/Estrela do Sul 2 satellite and Telstar 19 VANTAGE satellite are operated from Telesat's SCC in Rio de Janeiro, Brazil. Telesat's headquarters are located in downtown Ottawa where it leases approximately 75,900 rentable square feet. Telesat's lease expires on July 31, 2029. Telesat has two options to extend the lease for an additional five years each.

The Allan Park earth station, located northwest of Toronto, Ontario on approximately 65 acres of owned land, houses a customer support center and a technical control center. This facility is the single point of contact for Telesat's international customers and is also the main earth station complex providing telemetry, tracking and control services for the satellites Telesat operates. The Allan Park earth station also houses Telesat's backup SCC for the Nimiq and Anik satellites. The back-up SCC for the Telstar satellites is located at the Mount Jackson earth station. Telesat would have the functional ability to restore satellite control services via the Allan Park and Mount Jackson back-up control centers if Telesat's primary SCCs became disabled.

Telesat also operates 18 other earth stations in various countries, primarily in Canada and the United States.

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

Item 3. ***Legal Proceedings***

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.

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

Not Applicable

PART II

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

(a) Market Price and Dividend Information

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

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

Our voting common stock trades on the Nasdaq Global Select Market under the ticker symbol "LORL."

On January 5, 2021, we received the Nasdaq Notice from the Listing Qualifications Department of Nasdaq indicating that the Company is not in compliance with Rule 5620(a) of the Nasdaq Rules as a result of the Company not having held an annual meeting of stockholders within 12 months of the end of the Company's fiscal year on December 31, 2019. The Nasdaq Notice is only a notification of deficiency, not of imminent delisting, and has no current effect on the listing or trading of the Company's securities on the Nasdaq Global Select Market.

The Nasdaq Notice stated that, under the Nasdaq Rules, the Company had 45 calendar days to submit a plan to regain compliance with the Nasdaq Rules. On February 17, 2021, we submitted to Nasdaq our plan to regain compliance with the Nasdaq Rules. In our submission, we informed Nasdaq that, on February 11, 2021, a draft Registration Statement containing a preliminary proxy statement for the 2020 Annual Meeting of Stockholders of the Company was confidentially submitted to the SEC, and as soon as practicable after the Registration Statement is filed and declared effective by the SEC, we intend to mail the definitive proxy statement and hold our 2020 Annual Meeting.

There is no established trading market for the Company's non-voting common stock. All of the shares of non-voting common stock were issued pursuant to the exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") provided by Section 4(2) of the Securities Act.

Shareholder Rights Plan

On November 23, 2020, the Board of Directors of Loral declared a dividend of one preferred share purchase right (a “Right”) for each outstanding share of Loral voting common stock and Loral non-voting common stock outstanding on December 4, 2020 to the Loral stockholders of record on that date. Each Right entitles the registered holder to purchase from Loral one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share (the “Series A Preferred Shares”), of Loral, having such rights and preferences as are set forth in the Certificate of Designation of Series A Junior Participating Preferred Stock (the “Series A Certificate of Designation”), at a price of $120.48 per one one-thousandth of a Series A Preferred Share, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (as it may be amended from time to time, the “Rights Agreement”) between Loral and Computershare Trust Company, N.A., a federally chartered trust company, as Rights Agent. On November 24, 2020, Loral filed the Series A Certificate of Designations with the Secretary of State of the State of Delaware to establish the preferences, limitations and relative rights of the Series A Preferred Stock.

The Rights are attached to and trade together with Loral’s common stock.

The foregoing description of the Series A Certificate of Designation, the Rights Agreement, the Rights and the rights, powers, preferences and other terms of the Series A Preferred Shares is not complete and is qualified in its entirety by reference to the complete text of the Series A Certificate of Designation and the Rights Agreement, as each may be amended from time to time, which are filed as Exhibits 3.2 and 4.2, respectively, hereto and each exhibit is incorporated herein by reference.

Recent Sales of Unregistered Securities

On November 24, 2020, in connection with the Transaction, Loral issued to Telesat Partnership five shares of Series B Preferred Stock, par value $0.01 per share, of Loral (the “Series B Preferred Stock”) pursuant to the terms of a Subscription Agreement, dated November 23, 2020 (the “Subscription Agreement”) between Loral and Telesat Partnership. The aggregate consideration received by Loral for this issuance was $100. The sale of the Series B Preferred Stock was a private sale and exempt from the registration requirements of the Securities Act pursuant to Section 4(a)(2) and Rule 506(b) of Regulation D thereof. Such shares of Series B Preferred Stock will remain outstanding following the Merger and will give Telesat Partnership the right to vote such shares once there is no Loral common stock outstanding.

In connection with the Transaction, the Board of Directors of Loral approved, and on November 24, 2020 the Company filed with the Secretary of State of the State of Delaware, the Certificate of Designation of Series B Preferred Stock (the “Series B Certificate of Designation”), setting forth and establishing the preferences, limitations and relative rights of the Series B Preferred Stock.

The foregoing description of the Series B Preferred Stock, Subscription Agreement and Series B Certificate of Designation, is not complete and is qualified in its entirety by reference to the Series B Certificate of Designation and the Subscription Agreement, which are filed as Exhibits 3.3 and 10.8, respectively, hereto and are incorporated herein by reference.

(b) Approximate Number of Holders of Common Stock

At March 5, 2021, there were 129 holders of record of our voting common stock and five holders of record of our non-voting common stock.

(c) Dividends

On April 30, 2020, the Company’s Board of Directors declared a special dividend of $5.50 per share for an aggregate dividend of approximately $170.1 million. The special dividend was paid on May 28, 2020 to holders of record of Loral voting and non-voting common stock as of the close of business on May 14, 2020.

On November 23, 2020, the Company’s Board of Directors declared a special dividend of $1.50 per share for an aggregate dividend of approximately $46.4 million. The special dividend was paid on December 17, 2020 to holders of record of Loral voting and non-voting common stock as of the close of business on December 4, 2020.

Loral’s ability to pay dividends or distributions on its common stock will depend upon its earnings, financial condition and capital needs and other factors deemed pertinent by the Board of Directors.

(d) Securities Authorized for Issuance under Equity Compensation Plans

See Note 9 to the Loral consolidated financial statements for information regarding the Company’s stock incentive plan.

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

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

Loral Space & Communications Inc., a Delaware corporation, together with its subsidiaries, is a leading satellite communications company engaged, 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 Risk Factors section above, 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

Recent Developments

On November 23, 2020, Loral entered into the Transaction Agreement with Telesat, Telesat Partnership, Telesat Corporation, Telesat CanHoldco, Merger Sub, PSP and Red Isle, under which Merger Sub will merge with and into Loral, with Loral surviving the Merger as a wholly owned subsidiary of Telesat Partnership, and Loral stockholders receiving common shares of Telesat Corporation and/or units of Telesat Partnership that will be exchangeable for common shares of Telesat Corporation following the expiration of a six-month lock-up period.

The Transaction Agreement contains a number of customary conditions that must be fulfilled to complete the Transaction, including (i) approval of (A) a majority of the outstanding Loral voting common stock and (B) a majority of the outstanding Loral voting common stock not held by MHR, PSP, any other party to the Transaction Agreement or certain of their respective affiliates; (ii) the parties having obtained certain regulatory consents and approvals; (iii) no legal proceedings having been commenced that would enjoin or prohibit the consummation of the Transaction; (iv) the listing of the Class A and Class B shares of Telesat Corporation on a U.S. securities exchange; (v) no "Material Adverse Effect" (as defined in the Transaction Agreement) having occurred; (vi) Telesat remaining in good standing with respect to its material debt obligations; (vii) the accuracy of certain representations (subject to certain qualifications as to materiality) and material performance of certain covenants by the parties, subject to specified exceptions; (viii) effectiveness of the registration statement on Form F-4 and the issuance of a receipt for each of the Canadian preliminary and final prospectuses in respect of the Transaction; (ix) no U.S., Canadian or Spanish governmental agency having commenced civil or criminal proceeding against Loral alleging that any member of the "Loral Group" has criminally violated any law, and no member of the "Loral Group" having been indicted or convicted for, or plead nolo contendere to, any such alleged criminal violation; (x) Loral remaining solvent and not having entered into any bankruptcy or related proceeding; and (xi) the delivery by the parties of certain closing deliverables. If the parties have confirmed that all the conditions are satisfied or waived (other than those conditions that by their terms are to be satisfied at the Closing, but which conditions are capable of being satisfied at the Closing), then PSP and Loral will each have the right to extend the Closing for any number of periods of up to 30 days each and no longer than 120 days in the aggregate, from the date on which the Closing otherwise would have occurred. If the Closing is extended, the Closing will occur on the first two consecutive business days commencing on the fifth business day after the expiration of the final extension period on which the conditions are satisfied or waived (other than the conditions (i) with respect to no "Material Adverse Effect" (as defined in the Transaction Agreement) having occurred, (ii) that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing and (iii) if PSP extends the Closing, with respect to a civil or criminal legal proceeding alleging that Loral or any of its subsidiaries (excluding XTAR and GdM and their subsidiaries), has criminally violated a law). Subject to the satisfaction of the conditions to Closing and any extensions described above, we expect to complete the Transaction in the third quarter of 2021.

Upon satisfaction of the terms and subject to the conditions set forth in the Transaction Agreement, the Transaction will result in the current stockholders of Loral, PSP and the other shareholders in Telesat (principally current or former management of Telesat) owning approximately the same percentage of equity in Telesat indirectly through Telesat Corporation and/or Telesat Partnership as they currently hold (indirectly in the case of Loral stockholders and PSP) in Telesat, Telesat Corporation becoming the publicly traded general partner of Telesat Partnership and Telesat Partnership indirectly owning all of the economic interests in Telesat, except to the extent that the other shareholders in Telesat elect to retain their direct interest in Telesat.

The Transaction Agreement provides certain termination rights for both Loral and PSP and further provides that, in certain circumstances, Loral may be required to pay to Red Isle a termination fee of $6,550,000 or $22,910,000, or to pay to PSP a "breach" fee of $40,000,000, in each case as provided in the Transaction Agreement.

Description of Business

Loral has one operating segment consisting of satellite-based communications services. Loral participates in satellite services operations primarily through its ownership interest in Telesat, a leading global satellite operator. Telesat provides its satellite and communication services from a fleet of GEO satellites that occupy Canadian and other orbital locations. Telesat is also developing a planned global constellation of LEO satellites known as "Telesat Lightspeed." Loral holds a 62.6% economic interest and a 32.6% voting interest in Telesat as of December 31, 2020.

Telesat's GEO Satellite Business

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 contractual revenue backlog by entering into long-term contracts with some of its customers, in some cases for all or substantially all of a satellite's orbital maneuver life. Historically, this has resulted in revenue from the satellite services business being fairly predictable.

As of December 31, 2020, Telesat provided satellite services to customers from its fleet of 15 GEO satellites, as well as the Canadian payload on the ViaSat-1 satellite. Telesat also manages the operations of additional satellites for third parties. As of December 31, 2020, Telesat's contracted backlog from its GEO satellite business was approximately $2.1 billion.

Telesat Lightspeed

Telesat has commenced the development of what it believes will be the world's most advanced constellation of LEO satellites and integrated terrestrial infrastructure, called "Telesat Lightspeed" – a platform designed to revolutionize the provision of global broadband connectivity. In January 2018, Telesat's first LEO satellite was successfully launched into orbit. This Phase 1 LEO satellite has demonstrated certain key features of the Telesat Lightspeed system design, specifically the capability of the satellite and customer terminals to deliver a low latency broadband experience. Telesat also installed ground infrastructure at its teleport in Allan Park in Canada to support testing with a variety of existing and prospective customers and potential suppliers of the Telesat Lightspeed system hardware who have been participating in trials since the second half of 2018.

To advance its plans for Telesat Lightspeed, Telesat has recently undertaken, among other things, the following:

In February 2021, Telesat announced that it had entered into an agreement with TAS to be the prime manufacturer of the Telesat Lightspeed constellation and that TAS and its affiliate Telespazio have made a Lightspeed capacity commitment in connection with the agreement. Under the terms of the agreement, the parties have provided for continued progress of the program while the financing for the project is being finalized. The execution of the definitive manufacturing agreement, the commencement of full construction activities and the final constellation deployment schedule are subject to, and conditional upon, the progress of the financing of the program.

In February 2021, Telesat announced that it had selected MDA to manufacture the phased array antennas to be incorporated into the Telesat Lightspeed satellites. Under the terms of the agreement Telesat has entered into with MDA, the parties have provided for continued progress of the program while the financing for the project is being finalized.

In February 2021, Telesat announced that it had entered into an MOU with the government of Québec for an investment of CAD 400 million into Telesat Lightspeed. Under the terms of the MOU, the investment by the government of Québec will consist of CAD 200 million in preferred equity as well as a CAD 200 million loan. Telesat expects that a final agreement will be completed in the coming months.

While Telesat has entered into agreements with TAS and MDA, the execution of the definitive manufacturing agreements with them, the commencement of full construction activities and the final constellation deployment schedule are subject to, and conditional upon, the progress of the financing for the program. Similarly, the government of Quebec's CAD 400 million investment is subject to a number of conditions, including financing and the entering into of a further definitive agreement.

Telesat continues to take a number of steps to advance Telesat Lightspeed's business plan, including putting in place arrangements with launch providers, ground systems operators, and antenna manufacturers (to advance the development of economical and high efficiency antenna systems).

Telesat currently estimates that Telesat Lightspeed will require a capital investment of approximately $5 billion. Telesat anticipates diverse sources of financing, including (subject to compliance with Telesat's borrowing covenants) Telesat's current cash-on-hand, expected cash flows of Telesat's GEO business, proceeds Telesat expects to receive from the repurposing of C-band spectrum, potential future equity issuance, and future borrowings, including from export credit agencies.

In July 2019, Telesat announced that it had entered into a memorandum of understanding with the government of Canada regarding a partnership intended to ensure access to affordable high-speed internet connectivity across rural and remote areas of Canada through the development of the Telesat Lightspeed constellation. The partnership is expected to generate CAD 1.2 billion in revenue for Telesat over 10 years, which includes up to CAD 600 million from the government of Canada.

In May 2019, Telesat entered into an agreement with the government of Canada pursuant to which the government of Canada will contribute up to CAD 85 million through July 31, 2023 to support the development of the Telesat Lightspeed constellation. As of December 31, 2020 and 2019, Telesat recorded CAD 12 million and CAD 5.0 million, respectively, relating to the agreement.

Repurposing of C-Band Spectrum

In a number of countries, regulators plan to adopt new spectrum allocations for terrestrial mobile broadband and 5G, including certain C-band spectrum currently allocated to satellite services. Telesat currently use C-band spectrum in a number of countries, including the U.S. and Canada. To the extent that Telesat is able to assist in making the C-band spectrum it uses available for use for terrestrial mobile broadband and 5G, Telesat may be entitled to certain compensation.

In February 2020, the FCC issued a final Report and Order on *Expanding Flexible use of the 3.7 to 4.2 GHz Band*. The Report and Order provided that Telesat would receive as much as $344.4 million from the repurposing of C-band spectrum in the U.S. provided that Telesat takes the necessary actions to move its services in the continental U.S. out of the 3700 — 4000 MHz spectrum band and into the 4000 — 4200 MHz band and takes the necessary steps to ensure that its end user antennas will not be subject to terrestrial interference. Telesat believes that it can meet all the requirements to receive the $344.4 million.

A similar repurposing of C-band spectrum is currently underway in Canada as well, with the government of Canada launching a public consultation on repurposing C-band spectrum in August 2020. In the consultation document, in addition to its own proposal, the government of Canada included a proposal put forward by Telesat whereby Telesat — the sole satellite operator licensed to use C-band in Canada — would accelerate, and be fully responsible for, the clearing of a portion of the C-band spectrum for 5G. In return, Telesat would be compensated for clearing and repurposing the spectrum. Comments were submitted to the government on October 26, 2020, and Reply Comments were submitted on November 30, 2020. Telesat anticipates a decision in 2021.

Telesat Lightspeed Asset Transfers

In December 2020, in connection with Telesat's ongoing financing activities related to its planned Telesat Lightspeed constellation, Telesat designated certain of its subsidiaries as unrestricted subsidiaries under its amended senior secured credit facilities and the indentures governing its senior secured notes and senior notes.

On December 31, 2020, Telesat and Telesat Spectrum General Partnership ("TSGP"), a wholly owned restricted subsidiary of Telesat, entered into a series of transactions in which Telesat and TSGP transferred to certain unrestricted subsidiaries (i) assets relating to the Telesat Lightspeed network, including NGSO spectrum authorizations, U.S. market access rights, certain IP, certain fixed assets and certain contracts, and (ii) C-band assets, including Canadian C-band licenses and U.S. C-band market access rights, together with the right to receive proceeds from the repurposing thereof. In connection with such asset transfers, the applicable unrestricted subsidiaries entered into certain market access and control agreements permitting Telesat and TSGP to retain access and/or control over the transferred assets. Concurrently with these transactions, Telesat contributed $193 million in cash to Telesat LEO Holdings Inc., an unrestricted subsidiary of Telesat. These transactions are collectively referred to as the "LEO Transactions."

Immediately prior to the LEO Transactions, Telesat prepaid outstanding term loans under its amended senior secured credit facilities in an aggregate principal amount of $341.4 million. As a result of such prepayment, pro forma leverage under the amended senior secured credit facilities at the time of the LEO Transactions was less than 4.50 to 1.00. The LEO Transactions complied with the covenants set forth in the amended senior secured credit facilities and the indentures governing Telesat's senior secured notes and senior notes.

Telesat Outlook

Telesat's desirable spectrum rights, commitment to providing the highest level of customer service, deep technical expertise and culture of 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, in a disciplined manner, deploying expansion satellite capacity where strong market demand is anticipated.

After decades of developing and successfully operating its GEO-based satellite services business, Telesat believes that it is now poised to revolutionize the provision of global broadband connectivity by developing what Telesat believes will be the world's most advanced constellation of LEO satellites and integrated terrestrial infrastructure, Telesat Lightspeed.

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 these opportunities, 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.

In 2021, Telesat remains focused on increasing utilization of its existing satellites, the development of its global Lightspeed constellation, identifying and pursuing opportunities to invest in other expansion of satellite capacity and leveraging the value of its spectrum rights, all while maintaining operating discipline.

Telesat's operating results are subject to fluctuations as a result of exchange rate variations. During 2020, approximately 53% of Telesat's revenues, 46% of its operating expenses, 100% 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 indebtedness and cash and short term investments. As of December 31, 2020, Telesat's U.S. dollar denominated debt totaled $2.5 billion. As of December 31, 2020, a five percent increase (decrease) in the Canadian dollar against the U.S. dollar on financial assets and liabilities would have increased (decreased) Telesat's net income by approximately $124.6 million. This analysis assumes all other variables, in particular interest rates, remain constant.

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.

Other

We own 56% of XTAR, a joint venture between us and Hisdesat of Spain. Prior to July 1, 2020, XTAR owned and operated an X-band satellite, the XTAR–EUR Satellite located at the 29° E.L. Orbital Slot. In addition, prior to July 1, 2020, XTAR leased from Hisdesat 7.2 72MHz X-band transponders on the Spainsat satellite located at 30° W.L.. For services provided by Loral, XTAR, until December 31, 2013, was charged a quarterly management fee under the Loral Management Agreement. As of December 31, 2019, the amount due to Loral under the Loral Management Agreement was $6.6 million, and we had an allowance of $6.6 million against this receivable.

On July 1, 2020, Loral, XTAR and Hisdesat restructured their relationship, including, among other things, the following: (i) Hisdesat purchased the Satellite and certain assets related to operation of the Satellite from XTAR; (ii) XTAR's agreement with Hisdesat to operate the Satellite at the Orbital Slot was terminated and the rights and licenses to operate the Satellite at the Orbital Slot reverted to Hisdesat; (iii) the Transponder Lease was terminated; (iv) XTAR and Hisdesat entered into an agreement under which XTAR will continue to market and sell capacity on the Satellite and on the Spainsat satellite; (v) XTAR and Loral terminated the Loral Management Agreement; and (vi) Loral granted to Hisdesat an option to acquire for nominal consideration, subject to receipt of all required regulatory approvals, Loral's membership interests in XTAR. This option has not yet been exercised by Hisdesat. On July 2, 2020, Loral received from XTAR $5.9 million from the proceeds of the sale of the Purchased Assets in full and final settlement of the past due receivable outstanding of $6.6 million under the Loral Management Agreement. As a result, the Company recorded a $5.9 million recovery of an affiliate doubtful receivable and a corresponding reduction in its allowance for doubtful accounts for the year ended December 31, 2020.

COVID-19

On March 11, 2020, the World Health Organization designated the COVID-19 coronavirus as a global pandemic. Various policies and initiatives have been implemented worldwide to reduce the global transmission of COVID-19, including the promotion of social distancing and the adoption of remote working policies.

Although the COVID-19 pandemic has had a limited impact on Telesat's and our ability to operate our respective businesses, Telesat's customers in the maritime and aeronautical markets have been significantly impacted by the pandemic. At the request of some of these customers, Telesat has agreed to amend the terms of certain of their contracts to mitigate the adverse financial impact that COVID-19 is having on their respective businesses. These arrangements will have an adverse impact on Telesat's revenues in the near term. While not sufficient to offset adverse impacts referred to above, Telesat has experienced some increased demand for services as a result of COVID-19, primarily from government, and government-sponsored broadband requirements. In addition, certain of Telesat's maritime and aeronautical customers have commenced voluntary bankruptcy proceedings. As a result, Telesat recorded a provision for bad debt expense for certain accounts receivable with these customers given the risk that Telesat may not receive payment for all, or substantially all, of the amounts owed to it. For additional details on risks associated with the current outbreak of COVID-19, refer to Item 1A. Risk Factors.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act was signed into law, and on April 24, 2020, the Paycheck Protection Program and Healthcare Enhancement Act was signed into law (collectively, the "COVID-19 Acts"). The COVID-19 Acts provide a substantial stimulus and assistance package intended to address the impact of the COVID-19 pandemic, including tax relief and government loans, grants and investments. The COVID-19 Acts reduced our income tax provision by approximately $2.6 million for the year ended December 31, 2020. We continue to monitor any other effects that may result from the COVID-19 Acts.

Consolidated Operating Results

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

2020 Compared with 2019

The following compares our consolidated results for 2020 and 2019 as presented in our financial statements:

Operating loss

	Year Ended December 31,	
	2020	2019
	(In thousands)	
General and administrative expenses	$ (6,717)	$ (6,612)
Recovery of affiliate doubtful receivable	5,854	—
Operating loss	$ (863)	$ (6,612)

General and administrative expenses were comparable for the years ended December 31, 2020 and 2019. The recovery of affiliate doubtful receivable in 2020 represents the receipt of $5.9 million from XTAR in full and final settlement of the past due receivable outstanding of $6.6 million under the Loral Management Agreement.

Interest and Investment Income

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Interest and investment income	$ 1,050	$ 5,727

Interest and investment income decreased by $4.7 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019 due to the lower cash balance resulting primarily from payment of cash dividends of $170.1 million and $46.4 million in May 2020 and December 2020, respectively, and lower interest rates earned on the cash balance during the year 2020 as compared to 2019.

Other Expense

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Other expense	$ 10,898	$ 4,586

For the years ended December 31, 2020 and 2019, other expense includes Transaction related expenses of $10.2 million and $4.0 million, respectively.

Income Tax Provision

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Income tax provision	$ (12,886)	$ (6,153)

For 2020, we recorded a current and deferred tax provision of $1.5 million and $11.4 million, respectively, resulting in a total tax provision of $12.9 million. For 2019, we recorded a current and deferred tax provision of $3.2 million and $3.0 million, respectively, resulting in a total tax provision of $6.2 million. Our income tax provision for 2020 includes a current and deferred tax benefit of $1.6 million and $1.0 million, respectively, from the COVID-19 Acts.

The deferred tax provision for each period included the impact of equity in net income of affiliates in our consolidated statement of operations. After utilization of our NOL carryforwards and allowable tax credits, federal income tax on Global Intangible Low-Taxed Income (“GILTI”) from Telesat was zero. Furthermore, since our deferred tax assets related to the investment in Telesat will be realized from the future recognition of GILTI, the federal portion of these deferred tax assets are valued at zero.

During 2021, the statute of limitations for assessment of additional tax will expire with regard to certain uncertain tax positions (“UTPs”), potentially resulting in a $19.1 million reduction to our income tax provision.

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, subject to the provisions of the Transaction Agreement, in order to prevent federal net operating losses from expiring and realize the benefit of all remaining deferred tax assets.

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

Equity in Net Income of Affiliates

	Year Ended December 31,	
	2020	2019
	(In thousands)	
Telesat	$ 116,716	$ 101,403

The following is a reconciliation of the changes in our investment in Telesat for the years ended December 31, 2020 and 2019:

	Year Ended December 31,			
	2020		2019	
	(In thousands)			
Opening Balance, January 1,		$ 90,184		$ 24,574
Components of equity in net income of Telesat:				
Equity in net income of Telesat	$ 111,892		$ 97,856	
Eliminations of affiliate transactions and related amortization	4,824	116,716	3,547	101,403
Equity in Telesat-related other comprehensive loss		(14,236)		(35,793)
Ending balance, December 31,		$ 192,664		$ 90,184

As of December 31, 2020, we held a 62.6% economic interest and a 32.6% voting interest in Telesat. 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 or loss 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 SSL 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 in Canadian dollars and U.S. dollars for the years ended and as of December 31, 2020 and 2019 follows (in thousands):

	Year Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
	(In Canadian dollars)		(In U.S. dollars)	
Statement of Operations Data:				
Revenues	823,575	914,000	613,866	687,868
Operating expenses	(182,808)	(187,533)	(136,262)	(141,136)
Depreciation and amortization	(234,148)	(266,863)	(174,526)	(200,838)
Impairment of intangible asset	(4,575)	—	(3,410)	—
Other operating expense	(216)	(862)	(160)	(649)
Operating income	401,828	458,742	299,508	345,245
Interest expense	(204,242)	(247,670)	(152,236)	(186,394)
Loss on refinancing	—	(114,493)	—	(86,166)
Foreign exchange gain	47,836	162,109	35,655	122,002
Loss on financial instruments	(17,851)	(55,859)	(13,305)	(42,039)
Other income	7,100	21,634	5,294	16,282
Income tax benefit (provision)	4,992	(16,929)	3,721	(12,741)
Net income	239,663	207,534	178,637	156,189
Average exchange rate for translating Canadian dollars to U.S. dollars (1 U.S. dollar equals)	1.3425	1.3289		

	December 31,		December 31,	
	2020	2019	2020	2019
	(In Canadian dollars)		(In U.S. dollars)	
Balance Sheet Data:				
Current assets	894,835	1,139,605	703,210	877,294
Total assets	5,018,579	5,365,307	3,943,875	4,130,337
Current liabilities	165,233	161,357	129,849	124,217
Long-term debt, including current portion	3,159,944	3,684,873	2,483,256	2,836,700
Total liabilities	3,996,600	4,552,467	3,140,747	3,504,594
Shareholders' equity	1,021,979	812,840	803,128	625,743
Period end exchange rate for translating Canadian dollars to U.S. dollars (1 U.S. dollar equals)	1.2725	1.2990		

Telesat's revenue decreased by $74 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019 due primarily to the reduction of service for a North American DTH customer, lower revenue from enterprise services due to the completion of the non-cash amortization of a significant financing component of an agreement, lower revenue associated with short-term services provided to other satellite operators, and, to a lesser extent, the impact of the COVID-19 pandemic on certain enterprise customers and lower consulting revenues. The foreign exchange rate change decreased Telesat's revenue by approximately $3.0 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019.

Telesat's operating expenses decreased by $4.9 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019 primarily due to lower expenses related to development of the Telesat Lightspeed constellation, net of amounts to be reimbursed under a grant from the Canadian government, lower consultancy related expenses and lower employee bonuses, partially offset by higher wages related to hiring of additional employees primarily to support the Telesat Lightspeed program, lower capitalized engineering costs, higher professional fees, higher provision for bad debt expense associated with the COVID-19 pandemic and higher in-orbit insurance.

Telesat's depreciation and amortization decreased by $26.3 million for the year ended December 31, 2020 as compared to the year ended December 31, 2019 primarily due to the end of useful life, for accounting purposes, of the Anik F2 satellite in the fourth quarter of 2019, the Anik F1R satellite in the fourth quarter of 2020 and certain customer relationships in 2019.

Telesat's operating results are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in currencies other than Canadian dollars. Telesat's main currency exposures as of December 31, 2020, lie in its U.S. dollar denominated cash and cash equivalents, accounts receivable, accounts payable and debt financing. The most significant impact of variations in the exchange rate is on the U.S. dollar denominated debt financing. As of December 31, 2020, Telesat's U.S. dollar denominated debt totaled $2.5 billion. As of December 31, 2020, a five percent increase (decrease) in the Canadian dollar against the U.S. dollar on financial assets and liabilities would have increased (decreased) Telesat's net income by approximately $124.6 million. This analysis assumes all other variables, in particular interest rates, remain constant.

On January 1, 2019, Telesat adopted Accounting Standards Codification ("ASC") 842, *Leases,* for its U.S. GAAP reporting which we use to record our equity income in Telesat. Telesat adopted the new guidance using the modified retrospective approach with the cumulative effect of initially applying the standard being recorded on the balance sheet. As a result, on January 1, 2019, Telesat recognized a right-of-use asset of $19.6 million and lease liability of $20.0 million on its consolidated balance sheet.

Backlog

Telesat's backlog as of December 31, 2020 and 2019 was $2.1 billion and $2.5 billion, respectively. It is expected that approximately 23.9% of satellite services backlog will be recognized as revenue by Telesat during 2021. As of December 31, 2020, Telesat had received approximately $325.4 million of customer prepayments.

Critical Accounting Matters

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of income (loss) reported for the period. Actual results could differ from estimates. We believe the following critical accounting matters contain the more significant judgments and estimates used in the preparation of our financial statements.

Investments in Affiliates

Our investments in affiliates are accounted for using the equity method of accounting under U.S. GAAP. The carrying value of our investments in affiliates is reviewed for impairment in accordance with Financial Accounting Standards Board ("FASB") Codification Topic 323 *Investments – Equity Method and Joint Ventures*. We monitor our equity method investments for factors indicating other-than-temporary decrease in value. An impairment charge would be recognized when the decrease in value is determined to be other-than-temporary. The fair value of each investment is determined based on the income approach by discounting our investee's projected annual free cash flows to their present value using a rate of return appropriate for the risk of achieving the projected cash flows. Telesat's financial statements are prepared in accordance with international financial reporting standards ("IFRS"). To allow our reporting of our investment in Telesat under U.S. GAAP, Telesat provides us with a reconciliation of its financial statements from IFRS to U.S. GAAP.

Fair Value Measurements

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

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

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

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

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

Assets and Liabilities Measured at Fair Value

The following table presents our assets and liabilities measured at fair value on a recurring or non-recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3
		(In thousands)	
Assets			
Cash equivalents: Money market funds	$ 29,166	$ —	$ —
Other current assets:			
Indemnification - Sale of SSL	$ —	$ —	$ 598
Liabilities			
Long term liabilities:			
Indemnification - Globalstar do Brasil S.A.	$ —	$ —	$ 145

The carrying amount of money market funds approximates fair value as of each reporting date because of the short maturity of those instruments.

The Company did not have any non-financial assets or non-financial liabilities that were recognized or disclosed at fair value as of December 31, 2020.

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.

The asset resulting from the indemnification of SSL is for certain pre-closing taxes and reflects the excess of payments since inception over refunds and the estimated remaining liability, which was originally determined using the fair value objective approach. The estimated liability for indemnifications relating to Globalstar do Brasil S.A., originally determined using expected value analysis, is net of payments since inception.

Taxation

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

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

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

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

Pension and Other Employee Benefits

We maintain a qualified pension plan, which is a defined benefit pension plan. In addition to providing pension benefits, we provide certain health care and life insurance benefits for retired employees and dependents. Healthcare benefits end when the retiree reaches age 65. Pension and other employee post-retirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate and expected long-term rate of return on plan assets. Material changes in these pension and other employee post-retirement benefit costs may occur in the future due to changes in these assumptions, as well as our actual experience.

The discount rate is subject to change each year, based on a hypothetical yield curve developed from a portfolio of high quality, corporate, non-callable bonds with maturities that match our projected benefit payment stream. The resulting discount rate reflects the matching of the plan liability cash flows to the yield curve. The discount rate determined on this basis for the qualified pension plan and other employee post-retirement benefit costs was 2.5% and 3.25% as of December 31, 2020 and 2019, respectively.

The expected long-term rate of return on pension plan assets is selected by taking into account the expected duration of the plan’s projected benefit obligation, asset mix and the fact that its assets are actively managed to mitigate risk. Allowable investment types include equity investments, fixed income investments and real assets. Both equity and fixed income investment types may include alternative investments which are permitted to be up to 20% of total plan assets. Pension plan assets are primarily managed by Russell Investment Corp. (“Russell”), which allocates the assets into specified Russell-designed funds as we direct. Each specified Russell fund is then managed by investment managers chosen by Russell. We also engage non-Russell related investment managers through Russell, in its role as trustee, to invest pension plan assets. The targeted long-term allocation of our pension plan assets is 56.5% in liquid return-seeking investments, 29% in fixed income investments and 14.5% in alternative investments. The expected long-term annual rate of return on plan assets was 7.00% and 7.25% for 2020 and 2019, respectively. For 2021, we have updated our expected long-term rate of return to 6.75%.

Pension and other employee post-retirement benefit costs ("Net Periodic Costs") included in our statement of operations in 2021 are expected to be approximately $1.1 million, which is unchanged from Net Periodic Costs in 2020. Net Periodic Costs include amortization of actuarial gains and losses presented in accumulated other comprehensive loss. We use the corridor approach to amortize actuarial gains and losses. Under this approach, net actuarial gains or losses in excess of 10% of the larger of the benefit obligation or fair value of plan assets are amortized on a straight-line basis. Changes in Net Periodic Costs are partly driven by changes in discount rate and expected long-term rate of return. Lowering the discount rate and the expected long-term rate of return each by 0.5% would have increased Net Periodic Costs by approximately $0.2 million in 2020.

The benefit obligations for pensions and other employee post-retirement benefits exceeded the fair value of plan assets by $20.3 million at December 31, 2020. We are required to recognize the funded status of a benefit plan on our balance sheet. Market conditions and interest rates significantly affect future assets and liabilities of Loral's pension and other employee benefits plans.

Contingencies

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

Accounting Standards Issued and Not Yet Implemented

For discussion of accounting standards issued and not yet implemented that could have an impact on us, see Note 2 to the financial statements.

Liquidity and Capital Resources

Loral

As described above, Loral's principal asset is a 62.6% economic interest in Telesat. The operations of Telesat are not consolidated but are presented using the equity method of accounting. Loral has no debt. Telesat has third party debt with financial institutions. Cash is maintained at Loral and Telesat 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.

Cash and Available Credit

At December 31, 2020, Loral had $31.6 million of cash and cash equivalents and no debt. The Company's cash and cash equivalents as of December 31, 2020 decreased by $227.4 million from December 31, 2019 due primarily to payment of cash dividends of $170.1 million and $46.4 million in May 2020 and December 2020, respectively, corporate expenses of $5.9 million adjusted for changes in working capital and net of consulting fees from Telesat, payments of $10.3 million related to strategic initiatives and pension and other post-retirement funding of $2.0 million, partially offset by $5.9 million received from XTAR for a past due receivable and $1.4 million of interest and investment income. A discussion of cash changes by activity is set forth in the sections "Net Cash (Used in) Provided by Operating Activities" and "Net Cash Used in Financing Activities."

The Company did not have a credit facility as of December 31, 2020 and 2019.

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 and government 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 or until the Closing of the Transaction, if sooner. We expect that our major cash outlays during the next 12 months will include general corporate expenses net of consulting fees from Telesat and costs associated with completing the Transaction, including employee severance costs and professional fees . Loral receives consulting fees from Telesat of $1.25 million per quarter under a consulting agreement which expires on October 31, 2021.

Under the terms of the Transaction Agreement, Loral is required to make a $7 million payment to Red Isle at Closing. Telesat Corporation is obligated to make this payment as well as costs associated with completing the Transaction if Loral does not have sufficient cash at Closing.

Risks to Cash Flow

In 2012, we sold our former subsidiary, SSL, to MDA. Under the terms of the purchase agreement, we are obligated to indemnify MDA from liabilities with respect to certain pre-closing taxes the total amount of which has 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 December 31, 2020, Telesat had CAD 818.4 million of cash and short-term investments as well as approximately $200 million of borrowing availability under its revolving credit facility.

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 December 31, 2020, cash flows from operating activities, and drawings on the revolving credit facility 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 required interest and principal payments on debt and Telesat’s capital requirements. This includes the commitments Telesat has made to date for the Telesat Lightspeed program, but does not include the capital that would be required to commence construction of the constellation.

The construction of any satellite replacement or expansion program will require significant capital expenditures, in particular Telesat's planned Telesat Lightspeed constellation which Telesat currently estimates will require a capital investment of approximately $5 billion. Cash required for any future satellite programs may be funded from a range of sources including: cash and short-term investments; cash flow from operating activities; cash flow from customer prepayments or through borrowings on the revolving credit facility under Telesat's senior secured credit facilities; vendor financing; equity investments; export credit agency financing; additional secured or unsecured financing; proceeds received from repurposing C-band spectrum, and from government sources. 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. 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 programs.

Debt

Telesat's debt as of December 31, 2020 and 2019 was as follows:

	Maturity	Currency	December 31, 2020	December 31, 2019
			(in thousands)	
Senior secured credit facilities:				
Revolving credit facility	December 2024	USD or CAD equivalent	—	—
Term Loan B - U.S. facility	December 2026	USD	$ 1,552,815	$ 1,908,500
6.5% Senior notes	October 2027	USD	550,000	550,000
4.875% Senior secured notes	June 2027	USD	400,000	400,000
			2,502,815	2,858,500
Deferred financing costs and prepayment options			1,824	(302)
Total debt under international financial reporting standards			2,504,639	2,858,198
U.S. GAAP adjustments			(21,383)	(21,498)
Total debt under U.S. GAAP			2,483,256	2,836,700
Current portion			—	16,480
Long term portion			$ 2,483,256	$ 2,820,220

Senior Secured Credit Facilities

The obligations under Telesat's 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 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 first lien 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.

Telesat's senior secured credit facilities are comprised of the following facilities:

i— Revolving Credit Facility

Telesat's revolving credit facility ("Revolving Facility") is a $200 million loan facility available in either U.S. dollar or Canadian dollar equivalent, maturing in December 2024. Loans under the Revolving Facility bear interest at a floating interest rate. For Canadian Prime Rate and Alternative Base Rate ("ABR") loans, an applicable margin ranging from 0.75% to 1.25% is applied to the Prime Rate and ABR as these interest rates are defined in the senior credit facilities. For Bankers' Acceptance ("BA") Loans and Eurodollar Loans, an applicable margin ranging from 1.75% to 2.25% is applied to either the BA interest rate or LIBOR. The rates on the Revolving Facility vary depending upon the results of the first lien leverage ratio. Telesat's Revolving Facility currently has an unused commitment fee that ranges from 25 to 37.5 basis points per annum, depending upon the result of the total leverage ratio. As of December 31, 2020, other than approximately CAD 0.2 million in drawings related to letters of credit, there were no borrowings under this facility.

ii— Term Loan B — U.S. Facility

Telesat's term loan B — U.S. facility ("U.S. TLB Facility") is a $1,908.5 million facility maturing in December 2026. As of December 31, 2020, $1,552.8 million of this facility was outstanding, which represents the full amount available. The borrowings under Telesat's U.S. TLB Facility bear interest at a floating rate of either: (i) LIBOR as periodically determined for interest rate periods selected by Telesat in accordance with the terms of the senior secured credit facilities plus an applicable margin of 2.75%; or (ii) Alternative Base Rate as determined in accordance with the terms of the senior secured credit facilities plus an applicable margin of 1.75%.

In December 2020, Telesat made a $341.4 million prepayment on its outstanding term loans under its amended senior secured credit facilities. The prepayment was applied to all mandatory future quarterly principal repayments, with the remaining balance of the prepayment being applied towards the principal amount outstanding on maturity. The mandatory principal repayments on Telesat's U.S. TLB Facility are one quarter of 1.00% of the value of the loan, which must be paid on the last day of each quarter. As a result of the prepayment made in December 2020, mandatory quarterly principal repayments will no longer be required.

Senior Notes

Telesat's senior notes, in the amount of $550 million, bear interest at an annual rate of 6.5% and are due in October 2027. They include covenants or terms that restrict Telesat's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments, investments or acquisitions, enter into certain transactions with affiliates, modify or cancel its satellite insurance, effect mergers with another entity, and redeem its senior notes, without penalty, before October 15, 2024, in each case subject to exceptions provided in the senior notes indenture.

As of December 31, 2020, Telesat was in compliance with the financial covenants of its senior secured credit facilities, the indenture governing its senior secured notes and the indenture governing its senior notes.

Senior Secured Notes

Telesat's senior secured notes, in the amount of $400.0 million, bear interest at an annual rate of 4.875% and are due in June 2027. They include covenants or terms that restrict Telesat's ability to, among other things, incur additional indebtedness, incur liens, pay dividends or make certain other restricted payments, investments or acquisitions, enter into certain transactions with affiliates, modify or cancel its satellite insurance, effect mergers with another entity, and redeem its senior secured notes, without penalty, before December 1, 2024, in each case subject to exceptions provided in the senior secured notes indenture.

The senior secured notes indenture 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.

Debt Service Cost

The interest expense on Telesat's senior secured credit facilities, senior notes, senior secured notes and interest rate swaps, excluding the impact of the amortization of deferred financing costs, interest rate floors, prepayment options and net gain on repricing/repayment for the year ended December 31, 2020 was CAD 175.4 million.

Derivatives

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

As of December 31, 2020, Telesat had two outstanding interest rate swaps which hedge the interest rate risk associated with the variable interest rate on $900 million of U.S. denominated Term Loan B borrowings. These contracts, which mature in September 2021 and September 2022, are at fixed interest rates of 1.95% and 2.04%, respectively, excluding applicable margin. As of December 31, 2020, the fair value of the interest rate swaps was a liability of $14.1 million.

Telesat also has foreign currency embedded derivatives in its purchase contracts with suppliers and sales contracts with customers as a result of some of these contracts being denominated in a currency other than the functional currency of the substantial parties to the respective contract. The fair value of these foreign currency embedded derivatives as of December 31, 2020 was a net liability of $6.1 million.

Development Costs and Capital Expenditures

Telesat has entered into contracts for the development of Telesat Lightspeed constellation and other capital expenditures. The outstanding commitments associated with these contracts were approximately CAD 277.2 million as of March 3, 2021. 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 funds available under the revolving credit facility.

Statements of Cash Flow

Net Cash (Used in) Provided by Operating Activities

Net cash used in operating activities was $10.9 million for the year ended December 31, 2020, consisting primarily of a $16.8 million cash use attributable to net income adjusted for non-cash operating items, a $0.9 million increase in income taxes receivable, net of payables, and a $2.1 million decrease in pension and other post-retirement liabilities, partially offset by a receipt of $5.9 million from XTAR for a past due receivable and a $2.4 million increase in other liabilities.

Net cash provided by operating activities was $2.1 million for the year ended December 31, 2019.

Net cash provided by operating activities from continuing operations was $0.3 million for the year ended December 31, 2019, consisting primarily of a $4.4 million change in income tax accounts mainly attributable to the receipt of income tax refunds and a $4.0 million increase in other liabilities, primarily due to an increase in the liability for uncertain tax positions, partially offset by a $7.6 million cash use attributable to net income adjusted for non-cash operating items and a $0.6 million decrease in pension and other post-retirement liabilities.

Net cash provided by operating activities from discontinued operations was $1.8 million for the year ended December 31, 2019 attributable to a tax indemnification recovery related to the SSL Sale.

Net Cash Used in Financing Activities

Net cash used in financing activities was $216.5 million for the year ended December 31, 2020 attributable to the payment of cash dividends of $170.1 million and $46.4 million to common shareholders in May 2020 and December 2020, respectively.

Off-Balance Sheet Arrangements

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

Other

Loral's operating cash flows for 2020 and 2019 included contributions of approximately $2.0 million and $1.0 million, respectively, to the qualified pension plan and for other post-retirement benefits.

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 the 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 Item 1A — *Risk Factors* and also in Note 13 to the financial statements.

Item 8. *Financial Statements and Supplementary Data*

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

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

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

Our 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 Securities Exchange Act of 1934, as amended ("the Exchange Act")) as of December 31, 2020, 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 and Exchange Commission rules and forms. The term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that the information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) of the Exchange Act. Under the supervision and with the participation of our management, including our president and our chief financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework set forth in *Internal Control — Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under such criteria, our management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Deloitte and Touche LLP, an independent registered public accounting firm, as stated in its attestation report which is included below.

Changes in Internal Controls Over Financial Reporting

There was no change in the Company's internal control over financial reporting as of December 31, 2020 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Loral Space & Communications Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 8, 2021, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

Definition and Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 8, 2021

Item 9B. *Other Information*

None.

PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

Members of the Board of Directors

The Company has three classes of directors serving staggered three-year terms, with each of Class I and Class II consisting of two directorships and Class III consisting of three directorships. The terms of the Class I, II and III directorships expire on the date of the Company's Annual Meeting for 2022, 2020 and 2021, respectively. The Company expects to hold its Annual Meeting for 2020 during 2021 in connection with consideration by the stockholders, and their voting on adoption, of the Transaction Agreement. One Class III directorship is currently vacant and will remain vacant until the Board of Directors (the "Board") either reduces its size or elects a candidate to fill such vacancy.

The following are brief biographical sketches of each of our directors, including their experience, qualifications, attributes and skills, which, taken as a whole, have enabled the Board to conclude that each director should, in light of the Company's business and structure, serve as a director of the Company.

Class I Directors — Term Expiring at 2022 Annual Meeting

Arthur L. Simon

Age:	89
Director Since:	November 2005
Class:	Class I
Committees:	Audit Committee (Chairman)
Business Experience:	Mr. Simon is retired. Prior to his retirement, Mr. Simon was a partner at Coopers & Lybrand L.L.P., Certified Public Accountants, from 1968 to 1994.
Other Directorships (previous within the last five years):	Director and member of the Audit and Nominating/Corporate Governance Committees of L3 Technologies, Inc.
Qualifications:	Mr. Simon's qualifications for service on our Board include his significant experience in the satellite industry, having served as a director of the Company and its predecessors for more than 20 years. He also has significant accounting and internal controls background and expertise, having served in a public accounting firm for 38 years, 25 of which were as a partner, and having co-founded the aerospace/defense contracting group at his former firm. In addition, he brings to the Company substantial business knowledge gained while serving as an independent director of another public company in the aerospace and defense industry.

John P. Stenbit

Age:	80
Director Since:	June 2006
Class:	Class I
Committees:	Audit Committee (Member)
Business Experience:	Mr. Stenbit is a consultant for various government and commercial clients. From 2017 to 2019, Mr. Stenbit was Chairman of the Board of DGI Holdings Inc., a private corporation. From 2001 to his retirement in March 2004, he was Assistant Secretary of Defense of Networks and Information Integration/Department of Defense Chief Information Officer.
Other Directorships (current):	Director, Chairman of the Audit Committee and member of the Nomination, Evaluation and Corporate Governance Committee and Compensation and Human Resources Committee of ViaSat, Inc.
Qualifications:	Mr. Stenbit's qualifications for service on our Board include his significant experience in the aerospace and satellite industries, having previously served as a senior executive of TRW for 10 years in positions with financial oversight responsibilities. He also has had a distinguished career of government service focused on the telecommunications and command and control fields. In addition, he brings to the Company a breadth of business knowledge gained while serving as an independent director of other technology companies.

Class II Directors — Term Expiring at 2020 Annual Meeting (expected to be held in 2021)

John D. Harkey, Jr.

Age:	60
Director Since:	November 2005
Class:	Class II
Committees:	Audit Committee (Member), Compensation Committee (Member) and Nominating Committee (Chairman)
Business Experience:	Mr. Harkey has been Chairman and Chief Executive Officer of Consolidated Restaurant Companies, Inc. since 1998.
Other Directorships (previous within the last five years):	Director of Emisphere Technologies, Inc.
Qualifications:	Mr. Harkey's qualifications for service on our Board include his ability to provide the insight and perspectives of a successful and long-serving active chief executive officer of a major restaurant company. His current and prior experience serving on the boards of several other public companies in diverse industries allows him to offer a broad perspective on corporate governance, risk management and operating matters facing corporations today.

Michael B. Targoff

Age:	76
Director Since:	November 2005
Class:	Class II
Committees:	Executive Committee (Chairman)
Business Experience:	Mr. Targoff has been Vice Chairman of Loral since November 21, 2005 and a consultant to the Company since December 15, 2012. Mr. Targoff was Chief Executive Officer of Loral from March 1, 2006 to December 14, 2012 and President of Loral from January 8, 2008 to December 14, 2012. Mr. Targoff also has been a Director and member of the Audit Committee of Telesat since the Company acquired its interest in Telesat in October 2007. From 1998 to February 2006, Mr. Targoff was founder and principal of Michael B. Targoff & Co., a private investment company.
Qualifications:	Mr. Targoff's qualifications for service on our Board include his extensive understanding and knowledge of our business and the satellite industry, as well as demonstrated leadership skills and operating experience, acquired during more than 20 years of serving as a senior executive of the Company and its predecessors. As a current or former director of other public and private companies in the telecommunications industry, Mr. Targoff also brings to the Company a broad-based business knowledge and substantial financial expertise.

Class III Directors — Term Expiring at 2021 Annual Meeting

Mark H. Rachesky, M.D.

Age:	62
Director Since:	November 2005
Class:	Class III
Committees:	Compensation Committee (Chairman) and Executive Committee (Member)
Business Experience:	Dr. Rachesky has been non-executive Chairman of the Board of Loral since March 1, 2006. Dr. Rachesky also has been non-executive Chairman of the Board and a member of the Compensation and Corporate Governance Committee of Telesat since the Company acquired its interest in Telesat in October 2007. Dr. Rachesky founded MHR and has been its Chief Investment Officer since 1996. MHR is an investment manager of various private investment funds that invest in inefficient market sectors, including special situation equities and distressed investments.
Other Directorships (current):	Non-executive Chairman of the Board, co-chairman of the Strategic Advisory Committee and member of the Compensation Committee of Lions Gate Entertainment Corp.; Director and member of the Nominating and Governance Committee and co-chairman of the Finance Committee of Navistar International Corporation; Director and member of the Corporate Governance Committee, Nominating Committee and Compensation Committee of Titan International Inc.

Other Directorships (previous within the last five years):	Director and member of the Governance and Nominating Committee and Compensation Committee of Emisphere Technologies, Inc.
Qualifications:	Dr. Rachesky's qualifications for service on our Board include his demonstrated leadership skills as well as his extensive financial expertise and broad-based business knowledge and relationships. In addition, as the Chief Investment Officer of MHR, with a demonstrated investment record in companies engaged in a wide range of businesses for more than 20 years, together with his experience as chairman and director of other public and private companies, Dr. Rachesky brings to the Company broad and insightful perspectives relating to economic, financial and business conditions affecting the Company and its strategic direction.

Janet T. Yeung

Age:	56
Director Since:	May 2015
Class:	Class III
Business Experience:	Since May 2012, Ms. Yeung has been Principal and General Counsel of MHR. From July 2008 to May 2012, Ms. Yeung was Principal and Counsel of MHR. From 2000 to June 2008, Ms. Yeung was Vice President and Deputy General Counsel of Loral and its predecessor.
Other Directorships (current):	Director and member of the Audit Committee and Compensation Committee of Navistar International Corporation.
Qualifications:	Ms. Yeung's qualifications for service on our Board include her having previously served as an officer of the Company and, as a result, her familiarity with and extensive knowledge of the Company and the satellite industry. In addition, through her broad and deep experience in structuring, negotiating and implementing a wide variety of corporate transactions and financings during her tenure at the Company and at MHR, she has gained a considerable understanding of the matters that face the Company which enable her to offer the Board a broad perspective and advice on corporate governance, risk management and legal matters facing the Company today.

Executive Officers of the Registrant

The following table sets forth information concerning the executive officers of Loral as of March 5, 2021.

Name	Age	Position
Avi Katz	62	President, General Counsel and Secretary since December 2012. Senior Vice President, General Counsel and Secretary from January 2008 to December 2012.
John Capogrossi	67	Vice President, Chief Financial Officer and Treasurer since January 2016. Vice President, Chief Financial Officer, Treasurer and Controller from March 2013 to January 2016. Vice President and Controller from January 2008 to March 2013.
Ravinder S. Girgla	57	Vice President and Controller since January 2016. Deputy Controller from February 2013 to January 2016. Assistant Controller from July 2008 to February 2013.

Code of Ethics

Loral has adopted a Code of Conduct for all of its employees, including all of its executive officers. This Code of Conduct is available on the Investor Relations — Corporate Governance section of our web site at www.loral.com. Any amendments or waivers to this Code of Conduct with respect to Loral's principal executive officer, principal financial officer, principal accounting officer or controller (or persons performing similar functions) will be posted on such web site. One may also obtain, without charge, a copy of this Code of Conduct by contacting our Investor Relations Department at (212) 697-1105.

Audit Committee

The Company's Board has a standing Audit Committee, the members of which are Arthur L. Simon (Chairman), John D. Harkey, Jr. and John P. Stenbit. The Board has determined that all of the members of the Audit Committee meet the independence and experience requirements of the SEC and the Nasdaq Stock Market. Moreover, the Board has determined that one of the Audit Committee's members, Mr. Simon, qualifies as an "audit committee financial expert" as defined by the SEC.

Item 11. *Executive Compensation*

The following table sets forth information with respect to compensation awarded or paid to the named executive officers of the Company for services rendered during the Company's last two completed fiscal years ended December 31, 2020 and 2019. No stock awards, long-term compensation, options or stock appreciation rights were granted to any of the named executive officers during the last two fiscal years.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus[1] ($)	All Other Compensation[2] ($)	Total ($)
Avi Katz	2020	$ 630,715	$ 490,589	$ 219,920	$ 1,341,224
President, General Counsel and Secretary	2019	$ 615,659	$ 480,969	$ 179,630	$ 1,276,258
John Capogrossi	2020	$ 437,561	$ 283,623	$ 120,422	$ 841,606
Vice President, Chief Financial Officer and Treasurer	2019	$ 427,116	$ 278,062	$ 108,406	$ 813,584
Ravinder S. Girgla	2020	$ 320,661	$ 207,850	$ 65,605	$ 594,116
Vice President and Controller	2019	$ 313,006	$ 203,774	$ 52,506	$ 569,286

(1) Amounts in the "Bonus" column in the Summary Compensation Table above represent discretionary annual cash bonus incentives awarded under our Management Incentive Bonus program (described below in "Narrative Disclosure to Summary Compensation Table").

(2) The "All Other Compensation" column in the Summary Compensation Table above is, for 2020, comprised of the following components: (i) for Mr. Katz: $8,721 in life insurance premiums paid by the Company, $11,401 in Company 401(k) matching contributions and a $199,798 SERP Make-Whole Payment (defined below in "Narrative Disclosure to Summary Compensation Table"); (ii) for Mr. Capogrossi: $3,315 in life insurance premiums paid by the Company, $11,401 in Company 401(k) matching contributions and a $105,706 SERP Make-Whole Payment; and (iii) for Mr. Girgla: $2,589 in life insurance premiums paid by the Company, $11,401 in Company 401(k) matching contributions and a $51,615 SERP Make-Whole Payment.

Narrative Disclosure to Summary Compensation Table

Annual Bonus

We provide a discretionary annual cash bonus incentive for our named executive officers under our Management Incentive Bonus or MIB program to motivate and reward our named executive officers for their efforts towards achieving our annual, short-term corporate goals, as well as our long-term strategic goals. Our Compensation Committee administers the MIB program, sets target bonus opportunities and determines the amounts payable under the MIB program each year, which may be more or less than the target opportunity. The table below sets forth the target bonus opportunity for 2020 for each named executive officer.

Name	Target Bonus Opportunity (as a % of salary)
Avi Katz	60%
John Capogrossi	50%
Ravinder S. Girgla	50%

In January 2021, the Compensation Committee reviewed, on a subjective basis, the individual performance of the participants in the MIB program during 2020, including the named executive officers, and specifically noted their excellent performance in their areas of responsibility, and approved payment of discretionary bonuses to the named executive officers at the same level as in 2019 (with the only adjustments relating to the ordinary course cost of living increase to base salaries). These 2020 bonus awards resulted in a bonus payment to each of Messrs. Katz, Capogrossi and Girgla at an aggregate of 130% of their target bonus opportunities. These bonus amounts are included in the “Bonus” column of the Summary Compensation Table.

Retirement Benefits

The Company maintains two types of qualified retirement plans covering its executive officers: a defined benefit pension plan and a defined contribution savings plan.

As of December 31, 2020, the qualified defined benefit pension plan covered all of our named executive officers. In 2006, the Company changed this plan, which previously had been administered on a non-contributory basis, to require certain contributions by participants which had the effect of sharing the cost of providing qualified pension benefits with the named executive officers.

As of December 31, 2020, the defined contribution savings plan benefited all named executive officers. Named executive officers who make contributions to this plan receive matching contributions from the Company of up to 6% of a participant’s eligible base salary at a rate of 66⅔%.

As discussed below, named executive officers are also provided with annual SERP Make-Whole Payments, which are included in the “All Other Compensation” column of the Summary Compensation Table.

SERP Make-Whole Payments

Our qualified defined benefit pension plan is subject to the Internal Revenue Code’s limits on covered compensation and benefits payable. Prior to 2014, pension benefits were also provided through a “non-qualified” plan. The non-qualified plan, also known as the Supplemental Executive Retirement Plan (“SERP”), was designed to “restore” the benefit levels that IRS regulations limited in qualified plans. Under the SERP, each participant was entitled to receive the difference, if any, between the full amount of retirement income due under the pension plan formula without application of the IRS limitations and the amount of retirement income payable to the participant under the pension plan formula when applicable Internal Revenue Code limitations are applied. Our Board approved termination of the SERP in December 2012, and final lump sum payouts were made to participants in December 2013.

In January 2014, the Board approved annual make-whole payments (the "SERP Make-Whole Payments") to employees, including Loral's named executive officers, who would have earned SERP benefits had the SERP not been terminated. Specifically, with respect to periods after the final lump sum payouts to participants in December 2013, each employee who would have qualified for a SERP accrual for that period receives a cash payment equal to such employee's annual accrued benefit at age 65 that would have been calculated for that period under the SERP (had it not been terminated) multiplied by a present value factor reflecting the employee's life expectancy and current age and the discount rate used by the Company in its financial statements at the beginning of the year. The SERP Make-Whole Payment is paid at the end of the year in which the benefit is earned or early in the following year, or upon termination of employment, if earlier. Messrs. Katz, Capogrossi and Girgla received SERP Make-Whole Payments in January 2021 with respect to the 2020 fiscal year.

Potential Change in Control and other Post Employment Payments

None of our named executive officers has an employment or other agreement with the Company that provides for potential severance or other post-termination payments.

Loral Severance Policy for Corporate Officers

Severance payments for our named executive officers, as of December 31, 2020, were governed by the Loral Space & Communications Inc. Severance Policy for Corporate Officers (amended and restated as of August 4, 2011). This policy provides for potential severance benefits for the named executive officers following the termination of an eligible officer's employment by the Company without cause, including termination without cause in connection with or in contemplation of a Corporate Event (defined to include, among other things, a change of control of Loral or the closing or cessation or reduction in the scope of operations, in whole or in part, of Loral's corporate headquarters), in each case, subject to the execution of a release of claims in favor of the Company.

Pursuant to this policy, in the event of termination without cause, Messrs. Katz and Capogrossi will be entitled to cash severance payments aggregating to the sum of (x) twelve months' pay (defined as base salary plus average annual incentive bonus compensation paid over the last two years of employment) and (y) twelve months' base salary. If such termination is in connection with a Corporate Event, the entire payment will be made in a lump sum within twenty days of termination and will not be subject to mitigation for subsequent employment. To the extent that such termination is not in connection with a Corporate Event, payment will be made in installments as follows. The terminated officer will receive an initial lump sum payment within twenty days of termination, not subject to mitigation, equal to the greater of (A) six months' pay and (B) the sum of three months' pay plus two weeks' base salary for every year of service with the Company plus one twelfth of two weeks' base salary for every month of service with the Company in excess of his full years of service with the Company. If the officer is unemployed after six months (or if the officer is employed at a rate of pay that is less than his rate of pay immediately prior to termination), the remainder of his cash severance (the "Remainder") will be paid in biweekly installments over eighteen months beginning on the six-month anniversary of termination, with the first thirteen payments, if any, aggregating to the lesser of six months' pay and such Remainder, and the next twenty-six payments, if any, aggregating to the lesser of one year's base salary and the excess of the Remainder over six months' pay. For terminations not in connection with a Corporate Event, the Remainder is subject to reduction by any amount of compensation then being received by the officer from other employment (including self-employment).

Pursuant to this policy, in the event of termination without cause in connection with or in contemplation of a Corporate Event, Mr. Girgla will be entitled to cash severance payments aggregating to the sum of six months' pay plus two weeks' pay for every year of service with the Company plus one twelfth of two weeks' pay for every month of service with the Company in excess of his full years of service with the Company, and the entire payment will be made in a lump sum within twenty days of termination and will not be subject to mitigation for subsequent employment. If such termination is not in connection with a Corporate Event, Mr. Girgla will be entitled to cash severance payments aggregating to the sum of six months' pay plus two weeks' base salary for every year of service with the Company plus one twelfth of two weeks' base salary for every month of service with the Company in excess of his full years of service with the Company, and payment will be made in installments as follows. Mr. Girgla will receive an initial lump sum payment within twenty days of termination, not subject to mitigation, equal to the sum of three months' pay plus two weeks' base salary for every year of service with the Company plus one twelfth of two weeks' base salary for every month of service with the Company in excess of the officer's full years of service with the Company. If he is unemployed after three months (or if he is employed at a rate of pay that is less than his rate of pay immediately prior to termination), the remainder of his cash severance will be paid in biweekly installments over twelve weeks beginning on the three-month anniversary of the termination, subject to reduction by any amount of compensation then being received by him from other employment (including self-employment).

Under this policy, a terminated officer will also be entitled to continued participation in the Company's medical, prescription, dental and vision insurance coverage. The Company offers medical coverage to retirees who are not yet eligible for Medicare, and a terminated officer may, if eligible, elect to participate in the Company's Retiree Medical Plan by electing to receive benefits from the Loral pension plan. Alternatively, the officer may elect COBRA continuation coverage, and, during the "severance period," the Company will pay the officer each month an amount equal to the excess, if any, of the full monthly COBRA premiums for such coverage under the Company's benefit plans under which such medical and dental coverage is provided, as in effect from time to time, over the amount of the portion of such premiums the officer would pay if the officer were an active employee (the "COBRA Reimbursement"). The term "severance period" during which Messrs. Katz and Capogrossi are entitled to the COBRA Reimbursement means the period ending on the earlier of the date that is 24 months following termination without cause and the date such officer becomes eligible for coverage under the plans offered by a subsequent employer. The term "severance period" during which Mr. Girgla is entitled to the COBRA Reimbursement means the period commencing on the date of termination without cause and ending on the earlier of (x) the date that is six months plus a number of months equal to (A) the amount of cash severance payable to him if the termination were in connection with a Corporate Event, less six months' pay, divided by (B) his monthly rate of base salary or (y) the date he becomes eligible for coverage under the plans offered by a subsequent employer. During the "severance period," the officer will also be entitled to continued company-provided executive life insurance benefits, to the extent the officer was receiving such benefits prior to his termination.

Pursuant to this policy, in the event of termination without cause in connection with or in contemplation of a Corporate Event, the plan administrator may determine, in lieu of the COBRA-Reimbursement payments or continued company-provided executive life insurance benefits, to pay to a terminated officer a lump sum amount equal to the sum of the COBRA-Reimbursement payments and/or continued company-provided executive life insurance benefits to which he would have otherwise been entitled to be paid over the severance period.

Other Potential Post-Termination Payments

Our named executive officers are eligible to receive a bonus under our MIB program if they are terminated without cause after six months of service during a bonus year, pro-rated for the period during which they served prior to their termination. In addition, they are entitled to receive any accrued but unpaid SERP Make-Whole Payments with respect to the period during which they served prior to their termination for any reason. The MIB payments and SERP Make-Whole Payments to which Messrs. Katz, Capogrossi and Girgla were entitled as of December 31, 2020 were paid to them in 2021 and are set forth above in the "Bonus" column and in the "All Other Compensation" column, respectively, of the Summary Compensation Table.

No executive officer is entitled to a tax gross-up payment in the event that he becomes subject to any parachute payment excise taxes under Section 4999 of the Internal Revenue Code.

Directors Compensation for Fiscal Year 2020

For fiscal year 2020, Loral provided the compensation set forth in the table below to its directors.

2020 Director Compensation

Name		Fees Earned ($)		All Other Compensation ($)		Total
Mark H. Rachesky, M.D.	$	88,000 (1)		—	$	88,000
Michael B. Targoff	$	75,000	$	1,440,000 (2)	$	1,515,000
John D. Harkey, Jr.	$	153,500		—	$	153,500
Arthur L. Simon	$	156,500	$	—	$	156,500
John P. Stenbit	$	197,500 (3)		—	$	197,500
Janet T. Yeung	$	83,000 (4)		—	$	83,000

(1) $59,334 of such fees were earned in 2020 and are expected to be paid in 2021.

(2) The amount set forth in the "All Other Compensation" column for Mr. Targoff includes consulting fees of $1,440,000 paid to him under his consulting agreement with the Company for the year ending December 31, 2020 (before deduction of $45,000 in certain net expenses for which he reimbursed the Company). See "Certain Relationships and Related Transactions — Consulting Agreement" for a description of the Company's consulting agreement with Mr. Targoff.

(3) Includes $51,000 of fees paid to Mr. Stenbit in 2020 with respect to his service on an independent special committee of the Board formed to consider certain matters in connection with the Transaction.

(4) $56,000 of such fees were earned in 2020 and are expected to be paid in 2021

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

Principal Holders of Voting Common Stock

The following table shows, based upon filings made with the Company, certain information as of March 5, 2021 concerning persons who may be deemed beneficial owners of 5% or more of the outstanding shares of Voting Common Stock because they possessed or shared voting or investment power with respect to the shares of Voting Common Stock.

Name and Address	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Various funds affiliated with MHR Fund Management LLC and Mark H. Rachesky, M.D.(2) 1345 Avenue of the Americas, 42nd Floor, New York, NY 10105	8,544,419 (3)	39.9 %(3)
Mario J. Gabelli and various entities directly or indirectly controlled by him or for which he serves as chief investment officer(4) One Corporate Center, Rye, NY 10580-1435	2,169,674	10.1 %
The Vanguard Group(5) 100 Vanguard Boulevard, Malvern, PA 19355	1,196,842	5.6 %

(1) Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d-3 under the Exchange Act and is based upon the 21,427,078 shares of Voting Common Stock outstanding as of March 5, 2021.

(2) Information based on Amendment Number 29 to Schedule 13D, filed with the SEC on November 25, 2020, relating to securities held for the accounts of each of MHR Capital Partners Master Account II Holdings LLC (“Master Account II Holdings”), a Delaware limited liability company, MHR Capital Partners (100) LP (“Capital Partners (100)”), MHR Institutional Partners LP (“Institutional Partners”), MHRA LP (“MHRA”), MHRM LP (“MHRM”), MHR Institutional Partners II LP (“Institutional Partners II”), MHR Institutional Partners IIA LP (“Institutional Partners IIA”) and MHR Institutional Partners III LP (“Institutional Partners III”), each (other than Master Account II Holdings) a Delaware limited partnership. MHR Capital Partners Master Account II LP (“Master Account II”), a limited partnership organized in the Republic of the Marshall Islands, is the sole member of Master Account II Holdings, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the account of Master Account II Holdings. MHR Advisors LLC (“Advisors”) is the general partner of each of Master Account II and Capital Partners (100), and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings and Capital Partners (100). MHR Institutional Advisors LLC (“Institutional Advisors”) is the general partner of each of Institutional Partners, MHRA and MHRM, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners, MHRA and MHRM. MHR Institutional Advisors II LLC (“Institutional Advisors II”) is the general partner of each of Institutional Partners II and Institutional Partners IIA, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners II and Institutional Partners IIA. MHR Institutional Advisors III LLC (“Institutional Advisors III”) is the general partner of Institutional Partners III, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the account of Institutional Partners III. MHR is a Delaware limited liability company that is an affiliate of and has an investment management agreement with Master Account II, Capital Partners (100), Institutional Partners, MHRA, MHRM, Institutional Partners II, Institutional Partners IIA and Institutional Partners III, and other affiliated entities, pursuant to which it has the power to vote or direct the vote and to dispose or to direct the disposition of the shares of Voting Common Stock reported herein and, accordingly, MHR may be deemed to beneficially own the shares of Voting Common Stock reported herein which are held for the account of each of Master Account II Holdings, Capital Partners (100), Institutional Partners, MHRA, MHRM, Institutional Partners II, Institutional Partners IIA and Institutional Partners III. MHR Holdings LLC (“MHR Holdings”), a Delaware limited liability company, is the managing member of MHR and, in such capacity, may be deemed to beneficially own any shares of Voting Common Stock that are deemed to be beneficially owned by MHR.

MHRC LLC ("MHRC") is the managing member of Advisors and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings and Capital Partners (100). MHRC I LLC ("MHRC I") is the managing member of Institutional Advisors and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of Institutional Partners, MHRA and MHRM. MHRC II LLC ("MHRC II") is the managing member of Institutional Advisors II and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners II and Institutional Partners IIA.

Mark H. Rachesky, M.D. ("Dr. Rachesky") is the managing member of MHRC and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings and Capital Partners (100). Dr. Rachesky is the managing member of MHRC II and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners II and Institutional Partners IIA. Dr. Rachesky is the manager of MHRC I and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Institutional Partners, MHRA and MHRM. Dr. Rachesky is the managing member of Institutional Advisors III and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the account of Institutional Partners III. Dr. Rachesky is the managing member of MHR Holdings, and, in such capacity, may be deemed to beneficially own the shares of Voting Common Stock held for the accounts of each of Master Account II Holdings, Capital Partners (100), Institutional Partners, MHRA, MHRM, Institutional Partners II, Institutional Partners IIA and Institutional Partners III.

(3) Includes 8,529,419 shares of Voting Common Stock held by funds affiliated with MHR and 15,000 shares of Voting Common Stock held directly by Dr. Rachesky. Various funds affiliated with MHR also own 9,505,673 shares of Non-Voting Common Stock, which, when taken together with the shares of Voting Common Stock owned by all funds affiliated with MHR, represent approximately 58.4% of the issued and outstanding shares of Voting Common Stock and Non-Voting Common Stock of Loral as of March 5, 2021. Does not include 46,136 restricted stock units awarded to Dr. Rachesky that are payable, in the sole discretion of the Company, in cash or in stock.

(4) Information based solely on Amendment No. 6 to Schedule 13D filed with the SEC on October 6, 2020 by Mario J. Gabelli and various entities which he directly or indirectly controls or for which he acts as chief investment officer (collectively, the "Gabelli Reporting Persons"). According to Amendment No. 6 to Schedule 13D, the Gabelli Reporting Persons beneficially own shares of Voting Common Stock as follows: GAMCO Asset Management Inc. ("GAMCO") beneficially owns 1,085,858 shares of Voting Common Stock; Gabelli Funds, LLC ("Gabelli Funds") beneficially owns 929,668 shares of Voting Common Stock; Gabelli & Company Investment Advisors, Inc. beneficially owns 113,498 shares of Voting Common Stock; Gabelli Foundation, Inc. ("Foundation") beneficially owns 7,500 shares of Voting Common Stock; MJG Associates, Inc. ("MJG Associates") beneficially owns 29,400 shares of Voting Common Stock; and Associated Capital Group, Inc. ("AC") beneficially owns 3,750 shares of Voting Common Stock. Mr. Gabelli is deemed to be the beneficial owner of all of the shares of Voting Common Stock owned beneficially by each of the foregoing Gabelli Reporting Persons. Each of the Gabelli Reporting Persons has the sole power to vote or direct the vote and sole power to dispose or to direct the disposition of the shares of Voting Common Stock reported for it, either for its own benefit or for the benefit of its investment clients or its partners, as the case may be, except that (i) GAMCO does not have the authority to vote 81,500 of the reported shares, (ii) Gabelli Funds has sole dispositive and voting power with respect to the shares of Voting Common Stock held by certain funds for which it provides advisory services (the "Funds") so long as the aggregate voting interest of all joint filers does not exceed 25% of their total voting interest in Loral and, in that event, the proxy voting committee of each Fund shall respectively vote that Fund's shares, (iii) at any time, the proxy voting committee of each such Fund may take and exercise in its sole discretion the entire voting power with respect to the shares held by such Fund under special circumstances such as regulatory considerations, and (iv) the power of Mr. Gabelli, AC, GBL and GGCP, Inc. is indirect with respect to shares of Voting Common Stock beneficially owned directly by other Gabelli Reporting Persons.

(5) Information based solely on a Schedule 13G/A (Amendment No. 2), filed with the SEC on February 10, 2021, by The Vanguard Group (the "Vanguard Group") relating to securities held, as of December 31, 2020. According to the Schedule 13G/A, the Vanguard Group has sole voting power with respect to no shares held, shared voting power with respect to 16,783 shares held, sole dispositive power with respect to 1,171,247 shares held and shared dispositive power with respect to 25,595 shares held.

Voting Common Stock Ownership by Directors and Executive Officers

The following table presents the number of shares of Voting Common Stock beneficially owned by the directors, the named executive officers and all directors and named executive officers as a group as of March 5, 2021. Individuals have sole voting and dispositive power over the stock unless otherwise indicated in the footnotes.

Name of Individual	Amount and Nature of Beneficial Ownership	Percent of Class(1)
John Capogrossi	7,803	*
Ravinder S. Girgla	0	*
John D. Harkey, Jr.	6,000 (2)	*
Avi Katz	0	*
Mark H. Rachesky, M.D.	8,544,419 (3)	39.9 %
Arthur L. Simon	0 (4)	*
John P. Stenbit	6,000 (5)	*
Michael B. Targoff	124,766 (6)	*
Janet T. Yeung	13,885	*
All directors, named executive officers and other executive officers as a group (9 persons)	8,702,873 (7)	40.6 %

* Represents holdings of less than one percent.

(1) Percent of class refers to percentage of class beneficially owned as the term beneficial ownership is defined in Rule 13d-3 under the Exchange Act and is based upon the 21,427,078 shares of Voting Common Stock outstanding as of March 5, 2021.

(2) Does not include 18,452 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock.

(3) Includes 8,529,419 shares of Voting Common Stock held by funds affiliated with MHR and 15,000 shares of Voting Common Stock held directly by Dr. Rachesky. Does not include 46,136 vested restricted stock units held directly by Dr. Rachesky, payable, in the sole discretion of the Company, in cash or in stock. Does not include 9,505,673 shares of Non-Voting Common Stock held by funds affiliated with MHR. Dr. Rachesky is deemed to be the beneficial owner of Voting Common Stock and Non-Voting Common Stock held by the funds affiliated with MHR by virtue of his status as the managing member of MHRC, MHRC II, Institutional Advisors III and MHR Holdings and as manager of MHRC I. See "Ownership of Voting Common Stock – Principal Holders of Voting Common Stock" above.

(4) Does not include 15,877 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock. In addition, upon settlement of his restricted stock units, Mr. Simon is entitled to a payment of $81,600, which payment may be made, in the sole discretion of the Company, in cash or in stock.

(5) Includes 6,000 shares of Voting Common Stock owned by a trust for the benefit of Mr. Stenbit's wife of which Mr. Stenbit disclaims beneficial ownership. Does not include 18,452 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock.

(6) Includes 81,872 shares owned directly, 17,000 shares owned by a trust of which Mr. Targoff is a trustee and of which Mr. Targoff disclaims beneficial ownership and 25,894 shares owned by a charitable foundation of which Mr. Targoff is president and of which Mr. Targoff disclaims beneficial ownership.

(7) Does not include 98,917 vested restricted stock units, payable, in the sole discretion of the Company, in cash or in stock. Also does not include a payment of $81,600 to Mr. Simon upon settlement of his restricted stock units, which payment may be made, in the sole discretion of the Company, in cash or in stock.

For information with regard to Securities Authorized for Issuance Under Equity Compensation Plans required by Section 201(d) of Regulation S-K and Item 12, see Note 9 to the Loral consolidated financial statements.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

MHR Fund Management LLC

Shareholders Agreement. In connection with the transaction in which Loral acquired its interest in Telesat, on October 31, 2007, Loral and certain of its subsidiaries, PSP and one of its subsidiaries, two third-party investors, Telesat and MHR entered into a Shareholders Agreement (the "Shareholders Agreement"). Under the Shareholders Agreement, subject to certain exceptions, in the event that 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 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. In addition, after either of these events, PSP will have certain rights to enable it to exit from its investment in Telesat, including a right to cause Telesat to conduct an initial public offering in which PSP's shares would be the first shares offered or, if no such offering has occurred within one year due to a lack of cooperation from Loral or Telesat, to cause the sale of Telesat and to drag along the other shareholders in such sale, subject to Loral's right to call PSP's shares at fair market value.

The Shareholders Agreement provides for a board of directors of 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 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 Loral, was appointed non-executive Chairman of the Board of Directors of Telesat. In addition, Mr. Targoff, Loral's Vice Chairman, serves on the Board of Directors of Telesat.

Standstill Agreement. Loral and MHR have entered into a standstill agreement (the "MHR Standstill Agreement") prohibiting MHR and its affiliates from, subject to the terms thereof, acquiring more than an additional 6% of the outstanding Voting Common Stock prior to the conclusion of the Loral stockholder meeting to be held to approve the Transaction. The MHR Standstill Agreement will terminate immediately upon the first to occur of the conclusion of the Loral stockholder meeting and termination of the Transaction Agreement.

Voting Support Agreement. As a condition and inducement to the willingness of PSP to enter into the Transaction Agreement, MHR entered into a voting support agreement (the "Voting Support Agreement") with Telesat and PSP pursuant to which, among other things, MHR agreed to (i) vote in favor of the Transaction an amount of shares of Loral Voting Common Stock equal to 30% of Loral's Voting Common Stock outstanding and (ii) certain covenants with respect to the solicitation of alternative transactions and cooperation with respect to regulatory approvals, in each case to the extent of PSP's covenants with respect to such matters under the Transaction Agreement.

Directors. Dr. Rachesky, Chief Investment Officer of MHR, and Ms. Yeung, a principal and General Counsel of MHR, are directors of Loral and, in that capacity, received compensation from Loral. See "Director Compensation" above.

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. Under the consulting agreement, Mr. Targoff receives consulting fees of $120,000 per month before deduction of certain net expenses for which he reimburses the Company. For the year ended December 31, 2020, Mr. Targoff earned $1,440,000 (before his expense reimbursement to Loral of $45,000).

Director Independence

The Company is listed on the Nasdaq Stock Market and complies with the Nasdaq listing requirements regarding independent directors. Under Nasdaq's Marketplace Rules, the definition of an "independent director" is a person other than an executive officer or employee of the company or any other individual having a relationship which, in the opinion of the issuer's board of directors, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Our Board of Directors has reviewed such information as the Board has deemed appropriate for purposes of determining whether any of the directors has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, including the beneficial ownership by our directors of Voting Common Stock (see "Ownership of Voting Common Stock – Voting Common Stock Ownership by Directors and Executive Officers") and transactions between the Company on the one hand, and our directors and their affiliates, on the other hand (see "Certain Relationships and Related Party Transactions"). Based on such review, the Board of Directors has determined that all of our current directors, except for Mr. Targoff, who has a consulting agreement with the Company (see "Certain Relationships and Related Transactions – Consulting Agreement" for a description of this agreement), were in 2020, and are currently, independent directors; independent directors, therefore, constitute a majority of our Board. Mr. Targoff is not a member of any of the compensation, nominating or audit committees of the Company. Our independent directors meet periodically in executive session without members of the Company's management or Mr. Targoff at the conclusion of regularly scheduled Board meetings.

Indemnification Agreements

We have entered into Officers' and Directors' Indemnification Agreements (each, an "Indemnification Agreement") with our directors and officers (each officer and director with an Indemnification Agreement, an "Indemnitee"). The Indemnification Agreement requires us to indemnify the Indemnitee if the Indemnitee is a party to or threatened to be made a party to or is otherwise involved in any Proceeding (as that term is used in the Indemnification Agreement), except with regard to any Proceeding by or in our right to procure a judgment in our favor, against all Expenses and Losses (as those terms are used in the Indemnification Agreement), including judgments, fines, penalties and amounts paid in settlement, subject to certain conditions, actually and reasonably incurred in connection with such Proceeding, if the Indemnitee acted in good faith for a purpose which he or she reasonably believed to be in or not opposed to our best interests. With regard to Proceedings by or in our right, the Indemnification Agreement provides similar terms of indemnification; no indemnification will be made, however, with respect to any claim, issue or matter as to which the Indemnitee shall have been adjudged to be liable to us, unless a court determines that the Indemnitee is entitled to indemnification for such portion of the Expenses as the court deems proper, all as detailed further in the Indemnification Agreement. The Indemnification Agreement also requires us to indemnify an Indemnitee where the Indemnitee is successful, on the merits or otherwise, in the defense of any claim, issue or matter therein, as well as in other circumstances delineated in the Indemnification Agreement. The indemnification provided for by the Indemnification Agreement is subject to certain exclusions detailed therein. Loral Holdings Corporation guarantees the due and punctual payment of all of our obligations under the Indemnification Agreements.

Directors and Officers Liability Insurance

We have purchased insurance from various insurance companies against obligations we might incur as a result of our indemnification obligations of directors and officers for certain liabilities they might incur and insuring such directors and officers for additional liabilities against which they might not be indemnified by us. We have also procured coverage for our own liabilities in certain circumstances. For the period from February 1, 2021 to January 31, 2022, we purchased a director and officer liability policy and a separate fiduciary liability policy. Our cost for the annual insurance premiums for these policies is $692,135 in the aggregate.

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

Background

The Audit Committee has selected Deloitte & Touche LLP as the independent registered public accounting firm of the Company for the fiscal year ending December 31, 2021. Deloitte & Touche LLP has advised the Company that it has no direct or indirect financial interest in the Company or any of its subsidiaries and that it has had, during the last three years, no connection with the Company or any of its subsidiaries other than as our independent registered public accounting firm and certain other activities as described below.

In accordance with its charter, the Audit Committee has established pre-approval policies with respect to annual audit, other audit and audit-related services and certain permitted non-audit services to be provided by our independent registered public accounting firm and related fees. The Audit Committee has pre-approved detailed, specific services and fees. Fees related to the annual audits of our consolidated financial statements, including the Section 404 attestation, are specifically approved by the Audit Committee on an annual basis. All fees for pre-approved other audit and audit-related services are pre-approved annually or more frequently, if required, up to a maximum amount equal to 50% of the annual audit fee as reported in our most recently filed proxy statement with the SEC. All fees for pre-approved permitted non-audit services are pre-approved annually or more frequently, if required, up to a maximum amount equal to 50% of the fees for audit and audit-related services as reported in our most recently filed proxy statement with the SEC. The Audit Committee also pre-approves any proposed engagement to provide permitted services not included in the approved list of audit and permitted non-audit services and for fees in excess of amounts previously pre-approved. The Audit Committee chairman or another designated committee member may approve these services and related fees and expenses on behalf of the Audit Committee, and the Company promptly reports such approval to the Audit Committee.

Services

During 2019 and 2020, Deloitte & Touche LLP and its affiliates (collectively, "Deloitte") provided services consisting of the audit of the annual consolidated financial statements and internal controls over financial reporting of the Company, review of the quarterly financial statements of the Company, accounting consultations and consents and other services related to SEC filings by the Company and its subsidiaries and other pertinent matters. Deloitte also provided other permitted services to the Company in 2019 and 2020 consisting primarily of tax compliance, consultation and related services.

Audit Fees

The aggregate fees billed or expected to be billed by Deloitte for professional services rendered for the audit of the Company's annual consolidated financial statements and internal controls over financial reporting for the fiscal years ended 2019 and 2020, for the reviews of the condensed consolidated financial statements included in the Company's Quarterly Reports on Form 10-Q for the 2019 and 2020 fiscal years and for accounting research and consultation related to the audits and reviews totaled approximately $981,000 for 2019 and $950,000 for 2020. These fees were approved by the Audit Committee.

Audit-Related Fees

The aggregate fees billed by Deloitte for audit-related services for the fiscal years ended 2019 and 2020 were $8,000 and $40,000, respectively. These fees were approved by the Audit Committee and related to research and consultation on various filings with the SEC.

Tax Fees

The aggregate fees billed or expected to be billed by Deloitte for tax-related services for the fiscal years ended 2019 and 2020 were $117,000 and $98,000, respectively. These fees related to tax consultation, preparation of federal and state tax returns and related services and were approved by the Audit Committee.

All Other Fees

There were no fees billed by Deloitte for services rendered to the Company other than the services described above under "Audit Fees," "Audit-Related Fees" and "Tax Fees" for the fiscal years ended 2019 and 2020.

In its approval of these non-audit services, the Audit Committee has considered whether the provision of non-audit services is compatible with maintaining Deloitte's independence.

PART IV

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

(a) 1. Financial Statements

Index to Financial Statements and Financial Statement Schedule

Loral Space & Communications Inc. and Subsidiaries:

Separate Financial Statements of Subsidiaries not consolidated Pursuant to Article 8 of Regulation S-X

Telesat Canada and Subsidiaries :

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Transaction Agreement and Plan of Merger, dated as of November 23, 2020, by and among Loral Space & Communications Inc., Telesat Corporation, Telesat Canada, Telesat Partnership LP, Telesat CanHold Corporation, Lion Combination Sub Corporation, Public Sector Pension Investment Board and Red Isle Private Investments Inc.* (34)
3.1	Restated Certificate of Incorporation of Loral Space & Communications Inc. dated May 19, 2009(6)
3.2	Certificate of Designation of Series A Junior Participating Preferred Stock of Loral Space & Communications Inc.(34)
3.3	Certificate of Designation of Series B Preferred Stock of Loral Space & Communications Inc.(34)
3.4	Amended and Restated Bylaws of Loral Space & Communications Inc. dated December 23, 2008(4)
3.5	Amendment No. 1 to Bylaws of Loral Space & Communications dated January 12, 2010(8)
4.1	Description of Loral Securities Registered under Section 12 of the Exchange Act†
4.2	Rights Agreement, dated as of November 23, 2020, between Loral Space & Communications Inc. and Computershare Trust Company, N.A.(34)
4.3	Standstill Agreement, dated as of November 23, 2020, by and among Loral Space & Communications Inc., MHR Fund Management LLC and certain funds managed by MHR Fund Management LLC(34)
10.1	Purchase Agreement, dated as of June 26, 2012, by and among Loral Space & Communications Inc., Space Systems/Loral, Inc., MacDonald, Dettwiler and Associates Ltd. and MDA Communications Holdings, Inc.(14)
10.2	Amendment No. 1 to the Purchase Agreement, dated as of October 30, 2012, by and among Loral Space & Communications Inc., Space Systems/Loral, Inc., MacDonald, Dettwiler and Associates Ltd. And MDA Communications Holdings, Inc.(15)
10.3	Amendment No. 2 to Purchase Agreement, dated March 28, 2013, by and among Loral Space & Communications Inc., Space Systems/Loral, LLC, MacDonald, Dettwiler and Associates Ltd. and MDA Communications Holdings, Inc.(19)
10.4	Shareholders Agreement, dated as of October 31, 2007, between Public Sector Pension Investment Board, Red Isle Private Investments Inc., Loral Space & Communications Inc., Loral Space & Communications Holdings Corporation, Loral Holdings Corporation, Loral Skynet Corporation, John P. Cashman, Colin D. Watson, Telesat Holdings Inc. (formerly 4363205 Canada Inc.), Telesat Interco Inc. (formerly 4363213 Canada Inc.), Telesat and MHR Fund Management LLC(2)
10.5	Consulting Services Agreement, dated as of October 31, 2007, by and between Loral Space & Communications Inc. and Telesat(2)

Exhibit Number	Description
10.6	Indemnity Agreement, dated as of October 31, 2007, by and among Loral Space & Communications Inc., Telesat, Telesat Holdings Inc., Telesat Interco Inc. and Henry Gerard (Hank) Intven(2)
10.7	Acknowledgement and Indemnity Agreement, dated as of October 31, 2007, between Loral Space & Communications Inc., Telesat, Telesat Holdings Inc. (formerly 4363205 Canada Inc.), Telesat Interco Inc. (formerly 4363213 Canada Inc.) and McCarthy Tétrault LLP(2)
10.8	Subscription Agreement, dated as of November 23, 2020, by and between Loral Space & Communications Inc. and Telesat Partnership LP(34)
10.9	Full and Final Release and Amendment of Tolling Agreement, dated as of November 23, 2020, by and among Public Sector Pension Investment Board, Red Isle Private Investments Inc., Loral Space & Communications Inc., Loral Holdings Corporation, MHR Fund Management LLC and Telesat Canada(34)
10.10	Amended and Restated Registration Rights Agreement dated December 23, 2008 by and among Loral Space & Communications Inc. and the Persons Listed on the Signature Pages Thereof(4)
10.11	Letter Agreement, dated as of June 30, 2009, by and among Loral Space & Communications Inc., MHR Capital Partners Master Account LP, MHR Capital Partners (100) LP, MHR Institutional Partners LP, MHRA LP, MHRM LP, MHR Institutional Partners II LP, MHR Institutional Partners IIA LP and MHR Institutional Partners III LP.(7)
10.12	Partnership Interest Purchase Agreement dated December 21, 2007 by and among GSSI, LLC, Globalstar, Inc., Loral/DASA Globalstar, LP, Globalstar do Brasil, SA., Loral/DASA do Brasil Holdings Ltda., Loral Holdings LLC, Global DASA LLC, LGP (Bermuda) Ltd., Mercedes-Benz do Brasil Ltda. (f/k/a DaimlerChrysler do Brasil Ltda.) and Loral Space & Communications Inc.(3)
10.13	General Release dated December 14, 2012 between Loral Space & Communications Inc. and Michael B. Targoff(16) ‡
10.14	Consulting Agreement dated December 14, 2012 between Loral Space & Communications Inc. and Michael B. Targoff (16) ‡
10.15	Consulting Agreement dated March 15, 2013 between Loral Space & Communications Inc. and Harvey B. Rein(18) ‡
10.16	Form of Officers' and Directors' Indemnification Agreement between Loral Space & Communications Inc. and Loral Executives(1) ‡
10.17	Loral Space Management Incentive Bonus Program (Adopted as of December 17, 2008)(4) ‡
10.18	Loral Space & Communications Inc. 2005 Stock Incentive Plan (Amended and Restated as of April 3, 2009)(5) ‡
10.19	Form of Director 2009 Restricted Stock Unit Agreement(9) ‡
10.20	Form of Director 2010 Restricted Stock Unit Agreement(10) ‡
10.21	Form of Director 2011 Restricted Stock Unit Agreement(13) ‡

Exhibit Number	Description
10.22	Form of Director 2012 Restricted Stock Unit Agreement(17) ‡
10.23	Loral Space & Communications Inc. Severance Policy for Corporate Officers (Amended and restated as of August 4, 2011)(12) ‡
10.24	Grant Agreement, dated as of May 20, 2011, by and among Telesat Holdings Inc., Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Daniel Goldberg(11) ‡
10.25	Grant Agreement, dated as of May 31, 2011, by and among Telesat Holdings Inc., Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Michael C. Schwartz(11) ‡
10.26	Grant Agreement, dated as of May 31, 2011, by and among Telesat Holdings Inc., Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Michel G. Cayouette(11) ‡
10.27	Grant Agreement, dated as of November 18, 2013, by and among Telesat Holdings Inc., Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Daniel Goldberg(20) ‡
10.28	Grant Agreement, dated as of November 18, 2013, by and among Telesat Holdings Inc., Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Michel G. Cayouette(20) ‡
10.29	Grant Agreement, dated as of January 28, 2016, by and among Telesat Holdings Inc., Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Michael C. Schwartz(21) ‡
10.30	Grant Agreement, dated as of September 6, 2018, by and among Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Erwin C. Hudson(27) ‡
10.31	Grant Agreement, dated as of November 28, 2018, by and among Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Daniel Goldberg(28) ‡
10.32	Award Agreement for Restricted Share Units, dated as of November 28, 2018, by and among Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Daniel Goldberg‡(28) ‡
10.33	Grant Agreement, dated as of November 28, 2018, by and among Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Daniel Goldberg(28) ‡

Exhibit Number	Description
10.34	Grant Agreement, dated as of March 18, 2019, by and among Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Michael C. Schwartz(30) ‡
10.35	Grant Agreement, dated effective December 10, 2019, by and among Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Andrew M. Browne(36) ‡
14.1	Code of Conduct, Revised as of December 8, 2017, Updated as of December 6, 2018 and January 7, 2020(33)
21.1	List of Subsidiaries of the Registrant†
23.1	Consent of Deloitte & Touche LLP†
23.2	Consent of Deloitte LLP†
31.1	Certification of President pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002†
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002†
32.1	Certification of President pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002†
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002†
99.1	Certificate and Articles of Amalgamation of Telesat Canada, dated as of January 1, 2017(26)
99.2	By-Law No. 1 of Telesat Canada, dated as of January 1, 2017(26)
99.3	Credit Agreement, dated as of March 28, 2012, by and among Telesat Holdings Inc., Telesat Canada, Telesat LLC, the guarantors party thereto, JP Morgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto(22)
99.4	Amendment No. 1, dated as of April 2, 2013, to the Credit Agreement, dated as of March 28, 2012, by and among Telesat Holdings Inc., Telesat Canada, Telesat LLC, the guarantors party thereto, JP Morgan Chase Bank, N.A., as administrative agent, and the other lenders party thereto(23)
99.5	Amendment No. 2, dated as of November 17, 2016, to the Credit Agreement, dated as of March 28, 2012, as amended by Amendment No. 1 on April 2, 2013, by and among Telesat Holdings Inc., Telesat Canada, Telesat LLC, the guarantors party thereto, the lenders party thereto, and JP Morgan Chase Bank, N.A., as administrative agent, collateral agent, swingline lender and L/C Issuer(24)
99.6	Amendment No. 3 dated December 19, 2016 to the Credit Agreement, dated as of March 28, 2012, as amended by Amendment No. 1 on April 2, 2013, as further amended by Amendment No. 2 on November 17, 2016, by and among Telesat Canada, Telesat LLC, the guarantors party thereto, the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent, collateral agent, swingline lender and L/C Issuer(25)

Exhibit Number	Description
99.7	Amendment No. 4 dated February 1, 2017 to the Credit Agreement, dated as of March 28, 2012, as amended by Amendment No. 1 on April 2, 2013, as further amended by Amendment No. 2 on November 17, 2016, and as further amended by Amendment No. 3 on December 19, 2016, by and among Telesat Canada, Telesat LLC, the guarantors party thereto, the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent, collateral agent, swingline lender and L/C Issuer(25)
99.8	Amendment No. 5 dated April 26, 2018 to the Credit Agreement, dated as of March 28, 2012, as amended by Amendment No. 1 on April 2, 2013, as further amended by Amendment No. 2 on November 17, 2016, as further amended by Amendment No. 3 on December 19, 2016 and as further amended by Amendment No. 4 on February 1, 2017, by and among Telesat Canada, Telesat LLC, the guarantors party thereto, the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent, collateral agent, swingline lender and L/C Issuer(29)
99.9	Amendment No. 6, dated December 6, 2019, to the Credit Agreement, dated March 28, 2012, as amended by Amendment No. 1 on April 2, 2013, as further amended by Amendment No. 2 on November 17, 2016, as further amended by Amendment No. 3 on December 19, 2016, as further amended by Amendment No. 4 on February 1, 2017 and as further amended by Amendment No. 5 on April 26, 2018, by and among Telesat Canada, Telesat LLC, the guarantors party thereto, the lenders party thereto and JP Morgan Chase Bank, N.A., as administrative agent, collateral agent, swingline lender and L/C Issuer and the other financial institutions and other parties party thereto(31)
99.10	Indenture, dated October 11, 2019, with respect to Telesat Canada’s 6.500% Senior Notes due 2027, among Telesat Canada and Telesat LLC, as co-issuers, the guarantors party thereto and The Bank of New York Mellon, as Trustee(32)
99.11	Indenture, dated December 6, 2019, with respect to Telesat Canada’s 4.875% Senior Secured Notes due 2027, among Telesat Canada and Telesat LLC, as co-issuers, the guarantors party thereto and The Bank of New York Mellon, as Trustee and as a Notes Collateral Agent and the other Notes Collateral Agents party thereto(31)
99.12	Investor Rights Agreement, dated as of November 23, 2020, by and between Telesat Corporation and certain funds managed by MHR Fund Management LLC(34)
99.13	Investor Rights Agreement, dated as of November 23, 2020, by and between Telesat Corporation and Public Sector Pension Investment Board(34)
99.14	Voting Support Agreement, dated as of November 23, 2020, by and among Telesat Canada, certain funds managed by MHR Fund Management LLC and Public Sector Pension Investment Board(34)
99.15	Form of Trust Agreement with TSX Trust Company(35)
99.16	Form of Voting Agreement with TSX Trust Company(35)
99.17	Form of Amended and Restated Articles of Telesat Corporation(35)
99.18	Registration Rights Agreement, dated as of November 23, 2020, by and among Telesat Corporation, Public Sector Pension Investment Board, Red Isle Private Investments Inc. and MHR Fund Management LLC and certain of its affiliates(35)
99.19	Form of Amended and Restated Telesat Partnership LP Partnership Agreement †

Exhibit Number	Description
99.20	Form of Amended and Restated Certificate of Incorporation of Loral Space & Communications Inc.(35)
101	Interactive Data Files† (101.INS) Inline XBRL Instance Document (101.SCH) Inline XBRL Taxonomy Extension Schema Document (101.CAL) Inline XBRL Taxonomy Extension Calculation Linkbase Document (101.DEF) Inline XBRL Taxonomy Extension Definition Linkbase Document (101.LAB) Inline XBRL Taxonomy Extension Label Linkbase Document (101.PRE) Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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

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

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

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

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

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

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

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

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

(10) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed on March 15, 2011.

(11) Incorporated by reference from the Company's Current Report on Form 8-K filed on June 13, 2011.

(12) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 filed on August 9, 2011.

(13) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed on February 29, 2012.

(14) Incorporated by reference from the Company's Current Report on Form 8-K filed on June 28, 2012.

(15) Incorporated by reference from the Company's Current Report on Form 8-K filed on November 5, 2012.

(16) Incorporated by reference from the Company's Current Report on Form 8-K filed on December 17, 2012.

(17) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed on March 1, 2013.

(18) Incorporated by reference from the Company's Current Report on Form 8-K filed on March 18, 2013.

(19) Incorporated by reference from the Company's Current Report on Form 8-K filed on April 3, 2013.

(20) Incorporated by reference from the Company's Current Report on Form 8-K filed on November 20, 2013.

(21) Incorporated by reference from the Company's Current Report on Form 8-K filed on January 29, 2016.

(22) Incorporated by reference from the Report of Foreign Issuer on Form 6-K filed by Telesat Canada on March 29, 2012.

(23) Incorporated by reference from the Report of Foreign Issuer on Form 6-K filed by Telesat Holdings Inc. on April 2, 2013.

(24) Incorporated by reference from the Report of Foreign Issuer on Form 6-K filed by Telesat Holdings Inc. on November 17, 2016.

(25) Incorporated by reference from the Report of Foreign Issuer on Form 6-K filed by Telesat Canada on February 2, 2017.

(26) Incorporated by reference from the Annual Report on Form 20-F filed by Telesat Canada on March 2, 2017.

(27) Incorporated by reference from the Company's Current Report on Form 8-K filed on September 6, 2018.

(28) Incorporated by reference from the Company's Current Report on Form 8-K filed on November 29, 2018.

(29) Incorporated by reference from the Report of Foreign Issuer on Form 6-K filed by Telesat Canada on April 26, 2018.

(30) Incorporated by reference from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2019 filed on November 12, 2019.

(31) Incorporated by reference from the Report of Foreign Issuer on Form 6-K filed by Telesat Canada on December 11, 2019.

(32) Incorporated by reference from the Report of Foreign Issuer on Form 6-K filed by Telesat Canada on October 11, 2019.

(33) Incorporated by reference from the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed on March 12, 2020.

(34) Incorporated by reference from the Company's Current Report on Form 8-K filed on November 25, 2020.

(35) Incorporated by reference from the Company's Current Report on Form 8-K/A filed on November 27, 2020.

(36) Incorporated by reference from the Company's Current Report on Form 8-K filed on December 18, 2020.

* Certain exhibits and disclosure schedules to the Transaction Agreement and the redacted portion of the filed disclosure schedules attached as part of Exhibit 2.1 have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Loral agrees to furnish supplementally to the SEC a copy of any omitted schedule or exhibit upon request.

† Filed herewith.

‡ Management contract or compensatory plan, contract or arrangement with directors or named executive officers.

SIGNATURES

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

LORAL SPACE & COMMUNICATIONS INC.

By: /s/ AVI KATZ
Avi Katz

President, General Counsel & Secretary
Dated: March 8, 2021

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

Signatures	Title	Date
/s/ MARK H. RACHESKY, M.D. Mark H. Rachesky, M.D.	Director, Non-Executive Chairman of the Board	March 8, 2021
/s/ MICHAEL B. TARGOFF Michael B. Targoff	Director, Vice Chairman of the Board	March 8, 2021
/s/ JOHN D. HARKEY, JR. John D. Harkey, Jr.	Director	March 8, 2021
/s/ ARTHUR L. SIMON Arthur L. Simon	Director	March 8, 2021
/s/ JOHN P. STENBIT John P. Stenbit	Director	March 8, 2021
/s/ JANET T. YEUNG Janet T. Yeung	Director	March 8, 2021
/s/ AVI KATZ Avi Katz	President, General Counsel & Secretary (Principal Executive Officer)	March 8, 2021
/s/ JOHN CAPOGROSSI John Capogrossi	Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 8, 2021
/s/ RAVINDER S. GIRGLA Ravinder S. Girgla	Vice President and Controller (Principal Accounting Officer)	March 8, 2021

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Loral Space & Communications Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows, for each of the two years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Investment in Affiliates - Telesat — Refer to Notes 2, 3, and 5 to the financial statements.

Critical Audit Matter Description

The Company participates in satellite services operations primarily through its ownership interest in Telesat Canada ("Telesat"), a leading global satellite operator. Telesat provides its satellite and communication services from a fleet of satellites that occupy Canadian and other orbital locations. The Company holds a 62.6% economic interest and a 32.6% voting interest in Telesat. The Company uses the equity method of accounting for its ownership interest in Telesat. Equity in net income (loss) of Telesat is recorded based on the Company's economic interest in Telesat, and also reflects amortization of profits eliminated, to the extent of its economic interest in Telesat. The Company prepares its financial statements in accordance with U.S. GAAP, while Telesat prepares its financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). As a result, Telesat's financial information is converted from IFRS to U.S. GAAP in order for the Company to record its share of equity in net income (loss) of Telesat.

Given the complexity involved in converting Telesat's financial information from IFRS to U.S. GAAP, coupled with past out of period adjustments associated with the Company's investment in Telesat, auditing the conversion is complex and involves extensive effort, including the need to involve professionals knowledgeable about IFRS to U.S. GAAP differences.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures over the conversion of Telesat's financial information included the following, among others:

- We tested the effectiveness of the control over the Company's investment in Telesat, including management's review of the conversion of Telesat's financial information from IFRS to U.S. GAAP.
- With the assistance of professionals knowledgeable about IFRS to U.S. GAAP differences, we:
    - Tested the completeness and accuracy of the conversion of Telesat's financial information from IFRS to U.S. GAAP.
    - Evaluated the propriety of a selection of conversion adjustments from IFRS to U.S. GAAP in accordance with applicable accounting standards.
    - Recalculated the selected conversion adjustments from IFRS to U.S. GAAP.
    - Tested the validity of the selected conversion adjustments through evaluation of documentary evidence and inquiry of management.
    - Tested the translation of Telesat's financial information from Canadian Dollars to U.S. Dollars.
- We tested the calculation of the equity in net income of Telesat recognized in the Company's financial statements for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 8, 2021
We have served as the Company's auditor since 1996.

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,631	$ 259,067
Income tax refund receivable	1,228	576
Other current assets	1,232	1,322
Total current assets	34,091	260,965
Right-of-use asset	342	988
Income tax refund receivable, non-current	—	387
Investments in affiliates	192,664	90,184
Deferred tax assets	27,339	37,945
Other assets	33	341
Total assets	$ 254,469	$ 390,810
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued employment costs	$ 2,839	$ 2,611
Other current liabilities	2,002	2,883
Total current liabilities	4,841	5,494
Pension and other post-retirement liabilities	20,181	17,447
Other liabilities	19,914	17,842
Total liabilities	44,936	40,783
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized	—	—
Series A junior participating preferred stock, $0.01 par value, 50,000 shares authorized, no shares issued and outstanding	—	—
Series B preferred stock, $0.01 par value, 5 shares authorized, 5 and nil issued and outstanding	—	—
Common Stock:		
Voting common stock, $0.01 par value; 50,000,000 shares authorized, 21,581,572 issued	216	216
Non-voting common stock, $0.01 par value; 20,000,000 shares authorized, 9,505,673 issued and outstanding	95	95
Paid-in capital	1,019,988	1,019,988
Treasury stock (at cost), 154,494 shares of voting common stock	(9,592)	(9,592)
Accumulated deficit	(729,202)	(605,766)
Accumulated other comprehensive loss	(71,972)	(54,914)
Total shareholders' equity	209,533	350,027
Total liabilities and shareholders' equity	$ 254,469	$ 390,810

See notes to consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31,	
	2020	2019
General and administrative expenses	$ (6,717)	$ (6,612)
Recovery of affiliate doubtful receivable	5,854	—
Operating loss	(863)	(6,612)
Interest and investment income	1,050	5,727
Interest expense	(26)	(24)
Other expense	(10,898)	(4,586)
Loss before income taxes and equity in net income of affiliates	(10,737)	(5,495)
Income tax provision	(12,886)	(6,153)
Loss before equity in net income of affiliates	(23,623)	(11,648)
Equity in net income of affiliates	116,716	101,403
Net income	$ 93,093	$ 89,755
Net income per share:		
Basic	$ 3.01	$ 2.90
Diluted	$ 2.98	$ 2.88
Weighted average common shares outstanding:		
Basic	30,933	30,933
Diluted	31,020	31,008

See notes to consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net income	$ 93,093	$ 89,755
Other comprehensive loss, net of tax:		
Pension and other post-retirement benefits	(2,826)	(1,511)
Proportionate share of Telesat other comprehensive loss	(14,232)	(35,783)
Other comprehensive loss, net of tax	(17,058)	(37,294)
Comprehensive income	$ 76,035	$ 52,461

See notes to consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands, except per share amounts)

	Common Stock Voting		Common Stock Non-Voting			Treasury Stock Voting			Accumulated Other	
	Shares Issued	Amount	Shares Issued	Amount	Paid-In Capital	Shares	Amount	Accumulated Deficit	Comprehensive Loss	Shareholders' Equity
Balance, January 1, 2019	21,582	$ 216	9,506	$ 95	$ 1,019,988	154	$ (9,592)	$ (695,521)	$ (17,620)	$ 297,566
Net income								89,755		
Other comprehensive loss									(37,294)	
Comprehensive income										52,461
Balance, December 31, 2019	21,582	216	9,506	95	1,019,988	154	(9,592)	(605,766)	(54,914)	350,027
Net income								93,093		
Other comprehensive loss									(17,058)	
Comprehensive income										76,035
Common dividend paid ($7.00 per share)								(216,529)	—	(216,529)
Balance, December 31, 2020	21,582	$ 216	9,506	$ 95	$ 1,019,988	154	$ (9,592)	$ (729,202)	$ (71,972)	$ 209,533

See notes to consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,	
	2020	2019
Operating activities:		
Net income	$ 93,093	$ 89,755
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Non-cash operating items (Note 2)	(109,911)	(97,384)
Changes in operating assets and liabilities:		
Other current assets	6,248	98
Accrued employment costs and other current liabilities	322	93
Income taxes payable and receivable	(938)	4,387
Pension and other post-retirement liabilities	(2,138)	(633)
Other liabilities	2,417	3,998
Net cash (used in) provided by operating activities – continuing operations	(10,907)	314
Net cash provided by operating activities – discontinued operations	—	1,812
Net cash (used in) provided by operating activities	(10,907)	2,126
Investing activities:		
Capital expenditures	—	(6)
Net cash used in investing activities – continuing operations	—	(6)
Net cash used in investing activities – discontinued operations	—	—
Net cash used in investing activities	—	(6)
Financing activities:		
Dividends paid	(216,529)	—
Net cash used in financing activities – continuing operations	(216,529)	—
Net cash used in financing activities – discontinued operations	—	—
Net cash used in financing activities	(216,529)	—
Cash, cash equivalents and restricted cash – period (decrease) increase	(227,436)	2,120
Cash, cash equivalents and restricted cash – beginning of year	259,371	257,251
Cash, cash equivalents and restricted cash – end of year	$ 31,935	$ 259,371

See notes to consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.
NOTES TO 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.

Recent Developments

On November 23, 2020, Loral entered into a Transaction Agreement and Plan of Merger (as it may be amended from time to time, the "Transaction Agreement") with Telesat Canada, a Canadian corporation ("Telesat"), Telesat Partnership LP, a limited partnership formed under the laws of Ontario, Canada ("Telesat Partnership"), Telesat Corporation, a newly formed corporation incorporated under the laws of the Province of British Columbia, Canada and the sole general partner of Telesat Partnership ("Telesat Corporation"), Telesat CanHold Corporation, a corporation incorporated under the laws of British Columbia, Canada and wholly owned subsidiary of Telesat Partnership ("Telesat CanHoldco"), Lion Combination Sub Corporation, a Delaware corporation and wholly owned subsidiary of the Company ("Merger Sub"), Public Sector Pension Investment Board, a Canadian Crown corporation ("PSP"), and Red Isle Private Investments Inc., a Canadian corporation and wholly owned subsidiary of PSP ("Red Isle"), under which Merger Sub will merge with and into Loral, with Loral surviving the merger as a wholly owned subsidiary of Telesat Partnership (the "Merger"), and Loral stockholders receiving common shares of Telesat Corporation and/or units of Telesat Partnership that will be exchangeable for common shares of Telesat Corporation (the "Transaction").

The Transaction Agreement contains a number of customary conditions that must be fulfilled to complete the Transaction, including (i) approval of (A) a majority of the outstanding Loral voting common stock and (B) a majority of the outstanding Loral voting common stock not held by MHR, PSP, any other party to the Transaction Agreement or certain of their respective affiliates; (ii) the parties having obtained certain regulatory consents and approvals; (iii) no legal proceedings having been commenced that would enjoin or prohibit the consummation of the Transaction; (iv) the listing of the Class A and Class B shares of Telesat Corporation on a U.S. securities exchange; (v) no "Material Adverse Effect" (as defined in the Transaction Agreement) having occurred; (vi) Telesat remaining in good standing with respect to its material debt obligations; (vii) the accuracy of certain representations (subject to certain qualifications as to materiality) and material performance of certain covenants by the parties, subject to specified exceptions; (viii) effectiveness of the registration statement on Form F-4 and the issuance of a receipt for each of the Canadian preliminary and final prospectuses in respect of the Transaction; (ix) no U.S., Canadian or Spanish governmental agency having commenced civil or criminal proceeding against Loral alleging that any member of the "Loral Group" has criminally violated any law, and no member of the "Loral Group" having been indicted or convicted for, or plead nolo contendere to, any such alleged criminal violation; (x) Loral remaining solvent and not having entered into any bankruptcy or related proceeding; and (xi) the delivery by the parties of certain closing deliverables. If the parties have confirmed that all the conditions are satisfied or waived (other than those conditions that by their terms are to be satisfied at the closing of the Transaction (the "Closing"), but which conditions are capable of being satisfied at the Closing), then PSP and Loral will each have the right to extend the Closing for any number of periods of up to 30 days each and no longer than 120 days in the aggregate, from the date on which the Closing otherwise would have occurred. If the Closing is extended, the Closing will occur on the first two consecutive business days commencing on the fifth business day after the expiration of the final extension period on which the conditions are satisfied or waived (other than the conditions (i) with respect to no "Material Adverse Effect" (as defined in the Transaction Agreement) having occurred, (ii) that by their terms are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions at the Closing and (iii) if PSP extends the Closing, with respect to a civil or criminal legal proceeding alleging that Loral or any of its subsidiaries (excluding XTAR, LLC ("XTAR") and Globalstar de Mexico, S. de R.L. de C.V. ("GdM") and their subsidiaries), has criminally violated a law). Subject to the satisfaction of the conditions to Closing and any extensions described above, we expect to complete the Transaction in the third quarter of 2021.

Upon satisfaction of the terms and subject to the conditions set forth in the Transaction Agreement, the Transaction will result in the current stockholders of Loral, PSP and the other shareholders in Telesat (principally current or former management of Telesat) owning approximately the same percentage of equity in Telesat indirectly through Telesat Corporation and/or Telesat Partnership as they currently hold (indirectly in the case of Loral stockholders and PSP) in Telesat, Telesat Corporation becoming the publicly traded general partner of Telesat Partnership and Telesat Partnership indirectly owning all of the economic interests in Telesat, except to the extent that the other shareholders in Telesat elect to retain their direct interest in Telesat.

The Transaction Agreement provides certain termination rights for both Loral and PSP and further provides that, in certain circumstances, Loral may be required to pay to Red Isle a termination fee of $6,550,000 or $22,910,000, or to pay to PSP a “breach” fee of $40,000,000, in each case as provided in the Transaction Agreement.

Expenses related to the Transaction included in other expense in our statements of operations for the years ended December 31, 2020 and 2019 were $10.2 million and $4.0 million, respectively.

Description of Business

Loral has one operating segment consisting of satellite-based communications services. Loral participates in satellite services operations primarily through its ownership interest in Telesat, a leading global satellite operator. Loral holds a 62.6% economic interest and a 32.6% voting interest in Telesat. We use the equity method of accounting for our ownership interest in Telesat (see Note 5).

Telesat owns and leases a satellite fleet that operates in geostationary 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. Telesat is also developing Telesat Lightspeed, a global constellation of low earth orbit (“LEO”) satellites. LEO satellites operate in a circular orbit around the earth with an altitude typically between 500 and 870 miles. Unlike geostationary orbit satellites that operate in a fixed orbital location above the equator, LEO satellites travel around the earth at high velocities requiring antennas on the ground to track their movement. LEO satellite systems have the potential to offer a number of advantages over geostationary orbit satellites to meet growing requirements for broadband services, both consumer and commercial, by providing increased data speeds and capacity, global coverage, and latency on par with, or potentially better than, terrestrial services.

2. Basis of Presentation

The consolidated financial statements include the results of Loral and its subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All intercompany transactions have been eliminated.

Investments in Affiliates

Our ownership interest in Telesat is accounted for using the equity method of accounting under U.S. GAAP. Telesat’s financial statements are prepared in accordance with international financial reporting standards (“IFRS”). To allow our reporting of our investment in Telesat under U.S. GAAP, Telesat provides us with a reconciliation of its financial statements from IFRS to U.S. GAAP. Income and losses of Telesat are recorded based on our economic interest. 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 acquired by Telesat in 2007 is proportionately eliminated in determining our share of the net income 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 Space Systems/Loral, LLC (formerly known as Space Systems/Loral, Inc.) (“SSL”) and on Loral’s sale to Telesat in April 2011 of its portion of the payload on the ViaSat-1 satellite and related assets. Non-refundable cash distributions received from Telesat in excess of our initial investment and our share of cumulative equity in comprehensive income of Telesat, net of cash distributions received in prior periods, are recorded as equity in net income of Telesat (“Excess Cash

Distribution") since we have no obligation to provide future financial support to Telesat. After receiving an Excess Cash Distribution, we do not record additional equity in net income of Telesat until our share of Telesat's future net income exceeds the Excess Cash Distribution. 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. We had no guarantees or other funding obligations for our equity method investments as of December 31, 2020 and 2019. We use the nature of distribution approach to classify distributions from equity method investments on the statements of cash flows. 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 materially 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, the dilutive effect of Telesat stock options (see Note 10) and our pension liabilities.

Cash, Cash Equivalents and Restricted Cash

As of December 31, 2020, the Company had $31.6 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. Management determines the appropriate classification of its investments at the time of purchase and at each balance sheet date.

On April 30, 2020, the Company's Board of Directors declared a special dividend of $5.50 per share for an aggregate dividend of approximately $170.1 million. The special dividend was paid on May 28, 2020 to holders of record of Loral voting and non-voting common stock as of the close of business on May 14, 2020.

On November 23, 2020, the Company's Board of Directors declared a special dividend of $1.50 per share for an aggregate dividend of approximately $46.4 million. The special dividend was paid on December 17, 2020 to holders of record of Loral voting and non-voting common stock as of the close of business on December 4, 2020.

As of December 31, 2020 and December 31, 2019, the Company had restricted cash of $0.3 million, representing the amount pledged as collateral to the issuer of a standby letter of credit (the "LC"). The LC, which expires in August 2021, has been provided as a guaranty to the lessor of our corporate offices.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheet to the consolidated statement of cash flows (in thousands):

	December 31,	
	2020	2019
Cash and cash equivalents	$ 31,631	$ 259,067
Restricted cash included in other current assets	304	—
Restricted cash included in other assets	—	304
Cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 31,935	$ 259,371

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 of December 31, 2020 and December 31, 2019, our cash and cash equivalents were invested primarily in several liquid prime and government AAA money market funds. Such funds are not insured by the Federal Deposit Insurance Corporation. The dispersion across funds reduces the exposure of a default at any one fund. 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:

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 on a recurring or non-recurring basis (in thousands):

	December 31, 2020			December 31, 2019,		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents:						
Money market funds	$ 29,166	$ —	$ —	$ 256,915	$ —	$ —
Other current assets:						
Indemnification - Sale of SSL	$ —	$ —	$ 598	$ —	$ —	$ 598
Liabilities						
Long term liabilities						
Indemnification - Globalstar do Brasil S.A.	$ —	$ —	$ 145	$ —	$ —	$ 145

The carrying amount of cash equivalents approximates fair value as of each reporting date because of the short maturity of those instruments.

The Company did not have any non-financial assets or non-financial liabilities that were recognized or disclosed at fair value as of December 31, 2020 and December 31, 2019.

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.

The asset resulting from the indemnification of SSL is for certain pre-closing taxes and reflects the excess of payments since inception over refunds and the estimated remaining 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.

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.

Income Taxes

Loral and its subsidiaries are subject to U.S. federal, state and local income taxation on their worldwide income and foreign taxation on certain income from sources outside the United States. Telesat is subject to tax in Canada and other jurisdictions, and Loral will provide in each period any additional U.S. current and deferred tax required on actual or deemed distributions from Telesat, including Global Intangible Low Taxed Income ("GILTI"). Deferred income taxes reflect the future tax effect of temporary differences between the carrying amount of assets and liabilities for financial and income tax reporting and are measured by applying anticipated statutory tax rates in effect for the year during which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent it is more likely than not that the deferred tax assets will not be realized.

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

The unrecognized tax benefit of a UTP is recognized in the period when the UTP is effectively settled. Previously recognized tax positions are derecognized in the first period in which it is no longer more likely than not that the tax position would be sustained upon examination.

Earnings per Share

Basic earnings per share are computed based upon the weighted average number of shares of voting and non-voting common stock outstanding during each period. Shares of non-voting common stock are in all respects identical to and treated equally with shares of voting common stock except for the absence of voting rights (other than as provided in Loral's Amended and Restated Certificate of Incorporation which was ratified by Loral's stockholders on May 19, 2009). Diluted earnings per share are based on the weighted average number of shares of voting and non-voting common stock outstanding during each period, adjusted for the effect of unvested or unconverted restricted stock units. For diluted earnings per share, earnings are adjusted for the dilutive effect of Telesat stock options and restricted share units.

LORAL SPACE & COMMUNICATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

Additional Cash Flow Information

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

	Year Ended December 31,	
	2020	2019
Non-cash operating items		
Equity in net income of affiliates	$ (116,716)	$ (101,403)
Recovery of affiliate doubtful receivable	(5,854)	—
Deferred taxes	11,362	2,987
Depreciation	4	15
Right-of-use asset, net of lease liability	(6)	9
Amortization of prior service credit and actuarial loss	1,299	1,008
Net non-cash operating items – continuing operations	$ (109,911)	$ (97,384)
Supplemental information:		
Interest paid – continuing operations	$ 26	$ 24
Income tax refunds	$ 178	$ 5,547
Income tax payments	$ 252	$ 288

Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2019- 12, *Income Taxes (Topic 740)*: *Simplifying the Accounting for Income Taxes*. ASU 2019-12 is expected to reduce the cost and complexity related to accounting for income taxes. The new guidance removes certain exceptions to the general principles in Accounting Standards Codification ("ASC") 740 and improves how financial statement preparers will apply certain income tax-related guidance. The ASU is part of the FASB's simplification initiative to make narrow-scope improvements to accounting standards through a series of short-term projects. The new guidance, effective for the Company on January 1, 2021, is not expected to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement.* ASU No. 2018-13 eliminates, amends, and adds disclosure requirements to improve the effectiveness of fair value measurement disclosures. While certain amendments are to be applied prospectively, all other amendments are to be applied retrospectively to all periods presented. The new guidance is effective for the Company on January 1, 2020, with earlier application permitted. The new guidance, adopted by the Company on January 1, 2020, did not have a material impact on our consolidated financial statements.

In February 2016, the FASB issued ASC Topic 842, *Leases* ("ASC 842"). ASC Topic 842 requires a lessee to record a right-of-use asset and a lease liability for all leases with a lease term greater than 12 months. The main difference between previous U.S. GAAP and ASC Topic 842 is the recognition under ASC 842 of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. The new guidance was effective for the Company on January 1, 2019. We adopted ASC 842 in the first quarter of 2019 utilizing the modified retrospective method with a practical expedient through a cumulative-effect adjustment at the beginning of the first quarter of 2019. As a result, on January 1, 2019, we recognized a right-of-use asset and lease liability for an operating lease of approximately $0.3 million on our consolidated balance sheet.

3. Accumulated Other Comprehensive Loss

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

	Pension and Other Post-retirement Benefits	Equity in Telesat-related Other Comprehensive Loss	Accumulated Other Comprehensive Loss
Balance, January 1, 2019	$ (14,656)	$ (2,964)	$ (17,620)
Other comprehensive loss before reclassification	(2,307)	(35,783)	(38,090)
Amounts reclassified from accumulated other comprehensive loss	796	—	796
Net current-period other comprehensive loss	(1,511)	(35,783)	(37,294)
Balance, December 31, 2019	(16,167)	(38,747)	(54,914)
Other comprehensive loss before reclassification	(3,852)	(14,232)	(18,084)
Amounts reclassified from accumulated other comprehensive loss	1,026	—	1,026
Net current-period other comprehensive loss	(2,826)	(14,232)	(17,058)
Balance, December 31, 2020	$ (18,993)	$ (52,979)	$ (71,972)

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

	Before-Tax Amount	Tax Benefit (Provision)	Net-of-Tax Amount
Year ended December 31, 2020			
Pension and other post-retirement benefits:			
Net actuarial loss and prior service credits	$ (4,877)	$ 1,025	$ (3,852)
Amortization of prior service credits and net actuarial loss	1,299 (a)	(273)	1,026
Pension and other post-retirement benefits	(3,578)	752	(2,826)
Equity in Telesat-related other comprehensive loss	(14,236)	4 (b)	(14,232)
Other comprehensive loss	$ (17,814)	$ 756	$ (17,058)
Year ended December 31, 2019			
Pension and other post-retirement benefits:			
Net actuarial loss and prior service credits	$ (2,921)	$ 614	$ (2,307)
Amortization of prior service credits and net actuarial loss	1,008 (a)	(212)	796
Pension and other post-retirement benefits	(1,913)	402	(1,511)
Equity in Telesat-related other comprehensive loss	(35,793)	10 (b)	(35,783)
Other comprehensive loss	$ (37,706)	$ 412	$ (37,294)

(a) Reclassifications are included in other expenses.
(b) See Note 7, *Income Taxes*

4. Other Current Assets

Other current assets consist of (in thousands):

	December 31, 2020	December 31, 2019
Restricted cash (see Note 2)	$ 304	$ —
Indemnification receivable from SSL for pre-closing taxes (see Note 13)	598	598
Due from affiliates	88	186
Prepaid expenses	240	164
Other	2	374
	$ 1,232	$ 1,322

5. Investments in Affiliates

Investments in affiliates consist of (in thousands):

	December 31, 2020	December 31, 2019
Telesat	$ 192,664	$ 90,184

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Telesat	$ 116,716	$ 101,403

Telesat

As of December 31, 2020, we held a 62.6% economic interest and a 32.6% voting interest in Telesat. We use the equity method of accounting for our majority economic interest in Telesat because we own 32.6% 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.

In addition to recording our share of equity in net income loss of Telesat, we also recorded our share of equity in other comprehensive loss of Telesat of $14.2 million and $35.8 million for the years ended December 31, 2020 and 2019, respectively.

In the third quarter of 2019, we recorded an out-of-period correction to decrease our investment in Telesat and increase other comprehensive loss by $22.1 million. This non-cash adjustment was made to record the cumulative translation adjustment on our investment in Telesat from November 2007, when we first acquired our ownership interest in Telesat, to December 31, 2018. The adjustment resulted from translating our share of Telesat's equity from Canadian dollars to U.S. dollars at historical foreign exchange rates in accordance with ASC 830, *Foreign Currency Matters,* as required by ASC 323, *Investments – Equity Method and Joint Ventures*. Previously, we translated our share of Telesat's equity from Canadian dollars to U.S. dollars at current foreign exchange rates at each balance sheet date. This adjustment had no effect on our equity in net income (loss) of Telesat for any current or prior reporting period. The Company has not revised its financial statements for prior periods for this adjustment based on its belief that the effect of such adjustment is not material to the financial statements taken as a whole.

On January 1, 2019, Telesat adopted ASC 842, *Leases,* for its U.S. GAAP reporting which we use to record our equity income in Telesat. Telesat adopted the new guidance using the modified retrospective approach with the cumulative effect of initially applying the standard being recorded on the balance sheet. As a result, on January 1, 2019, Telesat recognized a right-of-use asset of $19.6 million and lease liability of $20.0 million on its consolidated balance sheet.

In December 2020, Telesat made a $341.4 million prepayment on its outstanding term loans under its amended senior secured credit facilities. The prepayment was applied to all mandatory future quarterly principal repayments, with the remaining balance of the prepayment being applied towards the principal amount outstanding on maturity.

On October 11, 2019, Telesat issued $550.0 million of 6.5% senior notes maturing in October 2027. The 6.5% senior notes are effectively subordinated to Telesat's secured indebtedness, including the obligations under its senior secured credit facilities and its 4.875% senior secured notes.

On October 11, 2019, Telesat used the net proceeds from the 6.5% senior notes offering together with available cash on hand to redeem its $500 million 8.875% senior notes due November 15, 2024 by repaying all outstanding amounts, including principal, redemption premium and discounted interest to November 15, 2019.

On December 6, 2019, Telesat entered into amended senior secured credit facilities which provide for term loan borrowings of $1,908.5 million which mature in December 2026 and revolving credit facilities of up to $200 million (or Canadian dollar equivalent) which mature in December 2024. Telesat also issued, through a private placement, $400 million of 4.875% senior secured notes which mature in June 2027.

On December 6, 2019, Telesat repaid all outstanding amounts, including related fees and expenses, under its former senior secured credit facilities.

The ability of Telesat to pay dividends or certain other restricted payments in cash to Loral is governed by applicable covenants in Telesat's debt and shareholder agreements. Telesat's credit agreement governing its senior secured credit facilities limits, among other items, Telesat's ability to incur debt and make dividend payments if the total leverage ratio ("Total Leverage Ratio") is above 4.50:1.00, with certain exceptions. As of December 31, 2020, Telesat's Total Leverage Ratio was 4.44:1.00. Telesat is permitted to pay annual consulting fees of $5 million to Loral in cash (see Note 14).

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 SSL and on Loral's sale to Telesat in April 2011 of its portion of the payload on the ViaSat-1 satellite and related assets.

LORAL SPACE & COMMUNICATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The following table presents summary financial data for Telesat in accordance with U.S. GAAP, for the years ended December 31, 2020 and 2019 and as of December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	2019
Statement of Operations Data:		
Revenues	$ 613,866	$ 687,868
Operating expenses	(136,262)	(141,136)
Depreciation and amortization	(174,526)	(200,838)
Impairment of intangible asset	(3,410)	—
Other operating expense	(160)	(649)
Operating income	299,508	345,245
Interest expense	(152,236)	(186,394)
Loss on refinancing	—	(86,166)
Foreign exchange gain	35,655	122,002
Loss on financial instruments	(13,305)	(42,039)
Other income	5,294	16,282
Income tax benefit (provision)	3,721	(12,741)
Net income	$ 178,637	$ 156,189

	December 31,	
	2020	2019
Balance Sheet Data:		
Current assets	$ 703,210	$ 877,294
Total assets	3,943,875	4,130,337
Current liabilities	129,849	124,217
Long-term debt, including current portion	2,483,256	2,836,700
Total liabilities	3,140,747	3,504,594
Shareholders’ equity	803,128	625,743

Other

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. We have also concluded that XTAR is not a variable interest entity for which we are the primary beneficiary. As of December 31, 2020 and 2019, the carrying value of our investment in XTAR was zero. Beginning January 1, 2016, we discontinued providing for our allocated share of XTAR’s net losses as our investment was reduced to zero and we have no commitment to provide further financial support to XTAR.

Prior to July 1, 2020, XTAR owned and operated an X-band satellite, XTAR–EUR (the “Satellite”) located at the 29° E.L. orbital slot (“the “Orbital Slot”). In addition, prior to July 1, 2020, XTAR leased from Hisdesat 7.2 72MHz X-band transponders on the Spainsat satellite located at 30° W.L. (the “Transponder Lease”). For services provided by Loral, XTAR, until December 31, 2013, was charged a quarterly management fee under a management agreement with Loral (the “Loral Management Agreement”). As of December 31, 2019, the amount due to Loral under the Loral Management Agreement was $6.6 million, and we had an allowance of $6.6 million against this receivable.

On July 1, 2020, Loral, XTAR and Hisdesat restructured their relationship, including, among other things, the following: (i) Hisdesat purchased the Satellite and certain assets related to operation of the Satellite (the "Purchased Assets") from XTAR; (ii) XTAR's agreement with Hisdesat to operate the Satellite at the Orbital Slot was terminated and the rights and licenses to operate the Satellite at the Orbital Slot reverted to Hisdesat; (iii) the Transponder Lease was terminated; (iv) XTAR and Hisdesat entered into an agreement under which XTAR will continue to market and sell capacity on the Satellite and on the Spainsat satellite; (v) XTAR and Loral terminated the Loral Management Agreement; and (vi) Loral granted to Hisdesat an option to acquire for nominal consideration, subject to receipt of all required regulatory approvals, Loral's membership interests in XTAR. This option has not yet been exercised by Hisdesat. On July 2, 2020, Loral received from XTAR $5.9 million from the proceeds of the sale of the Purchased Assets in full and final settlement of the past due receivable outstanding of $6.6 million under the Loral Management Agreement. As a result, the Company recorded a $5.9 million recovery of an affiliate doubtful receivable and a corresponding reduction in its allowance for doubtful accounts for the year ended December 31, 2020.

As of December 31, 2020 and 2019, the Company also held an indirect ownership interest in a foreign company that currently serves as the exclusive service provider for Globalstar service in Mexico. The Company accounts for this ownership interest using the equity method of accounting. As of December 31, 2020 and 2019, the carrying value of this investment was zero. Loral has written-off its investment in this company and has no future funding requirements relating to this investment. Accordingly, there is no requirement for us to provide for our allocated share of this company's net losses. This company is currently in the process of dissolution and liquidation in Mexico, and Loral believes that it will not have any liability associated with this company upon completion of this process.

6. Other Current Liabilities

Other current liabilities consists of (in thousands):

	December 31, 2020	December 31, 2019
Operating lease liability	$ 345	$ 652
Due to affiliate	98	5
Accrued professional fees	1,287	1,419
Pension and other post-retirement liabilities	82	77
Income taxes payable	—	673
Accrued liabilities	190	57
	$ 2,002	$ 2,883

7. Income Taxes

The following summarizes our income tax provision (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current:		
U.S. federal	$ (1,299)	$ (2,918)
State and local	25	2
Foreign	(250)	(250)
Total current	(1,524)	(3,166)
Deferred:		
U.S. federal	(11,334)	(2,990)
State and local	(28)	3
Total deferred	(11,362)	(2,987)
Total income tax provision	$ (12,886)	$ (6,153)

Our current income tax provision includes an increase to our liability for UTPs of (in thousands):

	Year Ended December 31,	
	2020	2019
Unrecognized tax benefits	$ (1,118)	$ (2,467)
Interest expense	(1,299)	(1,570)
Total	$ (2,417)	$ (4,037)

While our loss before income taxes and equity in net income of affiliates is domestic, the deferred income tax provision for each period includes the impact of equity in net income of affiliates in our consolidated statement of operations and the periodic effect of our accounting for GILTI. After utilizing our net operating loss ("NOL") carryforwards and allowable tax credits, federal income tax on GILTI from Telesat was zero. Furthermore, since our deferred tax assets related to the investment in Telesat will be realized from the future recognition of GILTI, the federal portion of these deferred tax assets were valued at zero.

In addition to the income tax provision presented above, we also recorded the following item (in thousands):

	Year Ended December 31,	
	2020	2019
Deferred tax benefit for adjustments in other comprehensive loss (see Note 3)	$ 756	$ 412

The provision for income taxes differs from the amount computed by applying the statutory U.S. federal income tax rate on the loss before income taxes and equity in net income of affiliates because of the effect of the following items (dollars in thousands):

	Year Ended December 31,	
	2020	2019
U.S. Statutory Federal Corporate Income Tax Rate	21%	21%
Tax benefit	$ 2,255	$ 1,154
Permanent adjustments which change statutory amounts:		
State and local income taxes, net of federal income tax	(77)	107
Equity in net income of affiliates	(17,185)	(5,055)
Federal provision for unrecognized tax benefits	(1,138)	(1,226)
Nondeductible expenses	(2,380)	(695)
Change in valuation allowance	69	(118)
Income tax credits	5,820	—
Foreign income taxes	(250)	(250)
Other, net	—	(70)
Total income tax provision	$ (12,886)	$ (6,153)

The following table summarizes the activity related to our unrecognized tax benefits (in thousands):

	Year Ended December 31,	
	2020	2019
Balance at January 1	$ 43,037	$ 43,055
Decreases as a result of statute expirations	—	(18)
Balance at December 31	$ 43,037	$ 43,037

With few exceptions, the Company is no longer subject to U.S. federal, state or local income tax examinations by tax authorities for years prior to 2014. Earlier years related to certain foreign jurisdictions remain subject to examination. To the extent allowed by law, the tax authorities may have the right to examine prior periods where NOLs were generated and carried forward, and make adjustments up to the amount of the NOL carryforward. While we intend to contest any future tax assessments for uncertain tax positions, no assurance can be provided that we would ultimately prevail. During 2021, the statute of limitations for assessment of additional tax will expire with regard to certain UTPs, potentially resulting in $16.4 million reduction to our unrecognized tax benefits.

Our liability for UTPs increased from $17.4 million at December 31, 2019 to $19.8 million at December 31, 2020 and is included in long-term liabilities in the consolidated balance sheets. At December 31, 2020, we have accrued $3.3 million for the potential payment of tax-related interest. If our positions are sustained by the taxing authorities, approximately $8.4 million of the tax benefits will reduce the Company's income tax provision.

Other than as described above, there were no significant changes to our unrecognized tax benefits during the year ended December 31, 2020, and we do not anticipate any other significant increases or decreases to our unrecognized tax benefits during the next twelve months.

At December 31, 2020, we had federal FTC carryforwards of $109.6 million, federal NOL carryforwards of $43.1 million and New York NOL carryforwards of $1.5 million which expire from 2022 to 2034.

The reorganization of the Company pursuant to emergence from Chapter 11 of the federal bankruptcy laws during 2005 constituted an ownership change under section 382 of the Internal Revenue Code. Accordingly, use of our tax attributes, such as NOLs and tax credits generated prior to the ownership change, are subject to an annual limitation of approximately $32.6 million, subject to increase or decrease based on certain factors.

We assess the recoverability of our FTCs, NOLs and other deferred tax assets and based upon this analysis, record a valuation allowance to the extent recoverability does not satisfy the "more likely than not" recognition criteria. We continue to maintain our valuation allowance until sufficient positive evidence exists to support full or partial reversal. As of December 31, 2020, we had a valuation allowance totaling $128.4 million against our deferred tax assets for certain tax credits, primarily FTC carryovers from 2017, and loss carryovers due to the limited carryforward periods. During 2020, the valuation allowance decreased by $0.1 million, which was recorded as a benefit in our statement of operations. 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, subject to the provisions of the Transaction Agreement, in order to prevent federal net operating losses from expiring and realize the benefit of all remaining deferred tax assets.

During 2019, the valuation allowance increased by $0.1 million, which was recorded as a provision in our statement of operations.

The significant components of the net deferred income tax assets are (in thousands):

	December 31,	
	2020	**2019**
Deferred tax assets:		
Net operating loss carryforwards	$ 23,020	$ 34,294
Foreign tax credit carryforwards	126,007	126,007
Compensation and benefits	701	961
Indemnification liabilities	98	66
Other, net	279	305
Federal benefit of uncertain tax positions	701	428
Pension costs	4,119	3,375
Investments in and advances to affiliates	828	992
Total deferred tax assets before valuation allowance	155,753	166,428
Less valuation allowance	(128,414)	(128,483)
Deferred tax assets	$ 27,339	$ 37,945

8. Other Liabilities

Other liabilities consists of (in thousands):

	December 31,	
	2020	2019
Operating lease liability	$ —	$ 345
Indemnification liabilities - other (see Note 13)	145	145
Liabilities for uncertain tax positions	19,769	17,352
	$ 19,914	$ 17,842

9. Shareholders' Equity

Series A Preferred Stock

On November 23, 2020, the Board of Directors of Loral declared a dividend of one preferred share purchase right (a "Right") for each share of Loral common stock outstanding on December 4, 2020 to the Loral stockholders of record on that date. Each Right entitles the registered holder to purchase from Loral one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock") of Loral, having such rights and preferences as are set forth in the Certificate of Designation of Series A Junior Participating Preferred Stock, at a price of $120.48 per one one-thousandth of a share of Series A Preferred Stock, subject to adjustment. The Series A Preferred Stock purchasable upon exercise of the Rights will not be redeemable. Each share of Series A Preferred Stock would entitle the holder thereof to a quarterly dividend payment of 1,000 times the dividend declared per share of the Company's common stock (if any). In the event of a liquidation of Loral, the holders of the Series A Preferred Stock would be entitled to an aggregate payment of 1,000 times the aggregate payment made per share of the Company's common stock. Each share of Series A Preferred Stock has 1,000 votes and is entitled to vote together with the shares of the Company's common stock. In the event of any merger, consolidation or other transaction in which shares of the Company's common stock are exchanged, each share of Series A Preferred Stock would be entitled to receive 1,000 times the amount received per share of the Company's common stock.

Series B Preferred Stock

On November 23, 2020, in connection with the Transaction, the Loral Board of Directors approved the Certificate of Designation of Series B Preferred Stock, par value $0.01 per share, of Loral (the "Series B Preferred Stock") and on November 24, 2020, Loral issued to Telesat Partnership five shares of Series B Preferred Stock. The Series B Preferred Stock is redeemable at the Company's option at any time for an amount per share of Series B Preferred Stock of $20.08 (adjusted for any stock splits or stock dividends) plus all declared and unpaid dividends, if any, with respect to such share (for purposes of this paragraph, the "liquidation value"). In the event of a liquidation of the Company, the holders of the Series B Preferred Stock would be entitled to a payment, before any payment would be made to holders of the Company's common stock or preferred stock specifically designated as junior to the Series B Preferred Stock, equal to the liquidation value per share of Series B Preferred Stock. The Series B Preferred Stock is nonvoting, provided if no shares of the Company's common stock and no shares of any series of Preferred Stock holding voting rights equivalent to the voting rights of shares of the Company's common stock are issued and outstanding, each share of the Series B Preferred Stock shall be entitled to one vote with respect to all matters submitted to a vote of the Company's stockholders.

Stock Plans

The Loral amended and restated 2005 stock incentive plan (the "Stock Incentive Plan") which allowed 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, had a ten-year term and has expired. As of December 31, 2020 and December 31, 2019, outstanding and unconverted restricted stock units ("RSUs") were 98,917 and 75,262, respectively, that are vested and do not expire.

During 2020, we paid special dividends of $7.00 per share for an aggregate dividend amount of $216.5 million (see Note 2). In accordance with Loral's Stock Incentive Plan, an equitable adjustment was made to outstanding stock-based awards to reflect the cash dividend. As a result, RSUs outstanding under the Stock Incentive Plan increased by 23,655 during 2020.

10. 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 62.4%. The following table presents the dilutive impact of Telesat stock options on Loral's reported net income for the purpose of computing diluted earnings per share (in thousands):

	Year Ended December 31,	
	2020	2019
Net income — basic	$ 93,093	$ 89,755
Less: Adjustment for dilutive effect of Telesat stock options	(522)	(528)
Net income — diluted	$ 92,571	$ 89,227

Basic earnings 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):

	Year Ended December 31,	
	2020	2019
Weighted average common shares outstanding	30,933	30,933
Weighted average unconverted restricted stock units	87	75
Common shares outstanding for diluted earnings per share	31,020	31,008

11. Pensions and Other Employee Benefit Plans

Pensions

We maintain a qualified defined benefit pension plan to which members may contribute in order to receive enhanced pension benefits. Employees hired after June 30, 2006 do not participate in the defined benefit pension plan, but participate in our defined contribution savings plan with an additional Company contribution. Benefits are based primarily on members' compensation and/or years of service. Our funding policy is to fund the qualified pension plan in accordance with the Internal Revenue Code and regulations thereon. Plan assets are generally invested in equity, fixed income and real asset investments. Pension plan assets are managed primarily by Russell Investment Corp. ("Russell"), which allocates the assets into funds as we direct.

Other Benefits

In addition to providing pension benefits, we provide certain health care and life insurance benefits for retired employees and dependents. For the years ended December 31, 2020 and 2019 certain of these benefits were provided through plans sponsored or managed by Telesat. Participants are eligible for these benefits generally when they retire from active service and meet the eligibility requirements for our pension plan. These benefits are funded primarily on a pay-as-you-go basis, with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions. Medical coverage for retired employees and dependents ends when the retiree reaches age 65.

Funded Status

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for 2020 and 2019, and a statement of the funded status as of December 31, 2020 and 2019. We use a December 31 measurement date for the pension plan and other post-retirement benefits (in thousands).

	Pension Benefits		Other Benefits	
	Year Ended December 31,		Year Ended December 31,	
	2020	2019	2020	2019
Reconciliation of benefit obligation:				
Obligation at beginning of period	$ 55,159	$ 49,020	$ 511	$ 479
Service cost	703	722	—	—
Interest cost	1,765	2,018	17	21
Participant contributions	27	25	—	—
Actuarial loss	5,453	5,256	30	30
Benefit payments	(1,926)	(1,882)	(19)	(19)
Obligation at December 31,	61,181	55,159	539	511
Reconciliation of fair value of plan assets:				
Fair value of plan assets at beginning of period	38,146	34,263	—	—
Actual return on plan assets	3,257	4,798	—	—
Employer contributions	1,953	942	19	19
Participant contributions	27	25	—	—
Benefit payments	(1,926)	(1,882)	(19)	(19)
Fair value of plan assets at December 31,	41,457	38,146	—	—
Funded status at end of period	$ (19,724)	$ (17,013)	$ (539)	$ (511)

The benefit obligations for pensions and other employee benefits exceeded the fair value of plan assets by $20.3 million at December 31, 2020 (the "unfunded benefit obligations"). The unfunded benefit obligations were measured using a discount rate of 2.5% and 3.25% at December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, the actuarial loss component of the change in benefit obligation of $5.5 million for the pension plan comprises $5.8 million attributable to the change in the discount rate partially offset by $0.3 million attributable to other factors. For the year ended December 31, 2019, the actuarial loss component of the change in benefit obligation of $5.3 million for the pension plan comprises $6.7 million attributable to the change in the discount rate partially offset by $1.4 million attributable to other factors. Lowering the discount rate by 0.5% would have increased the unfunded benefit obligations for pension and other post-retirement benefits by approximately $4.4 million and $3.7 million as of December 31, 2020 and 2019, respectively. Market conditions and interest rates will significantly affect future assets and liabilities of Loral's pension plan and other post-retirement benefits.

The pre-tax amounts recognized in accumulated other comprehensive loss as of December 31, 2020 and 2019 consist of (in thousands):

	Pension Benefits		Other Benefits	
	December 31,		December 31,	
	2020	2019	2020	2019
Actuarial loss	$ (22,172)	$ (18,613)	$ (51)	$ (32)

LORAL SPACE & COMMUNICATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

The amounts recognized in other comprehensive (loss) income during the years ended December 31, 2020 and 2019 consist of (in thousands):

	Pension Benefits December 31,		Other Benefits December 31,	
	2020	2019	2020	2019
Actuarial (loss) gain during the period	$ (4,847)	$ (2,891)	$ (30)	$ (30)
Amortization of actuarial loss	1,288	1,006	11	2
Total recognized in other comprehensive (loss) income	$ (3,559)	$ (1,885)	$ (19)	$ (28)

Amounts recognized in the balance sheet consist of (in thousands):

	Pension Benefits December 31,		Other Benefits December 31,	
	2020	2019	2020	2019
Current Liabilities	$ —	$ —	$ 82	$ 77
Long-Term Liabilities	19,724	17,013	457	434
	$ 19,724	$ 17,013	$ 539	$ 511

The accumulated pension benefit obligation was $60.3 million and $54.2 million at December 31, 2020 and 2019, respectively.

During 2020, we contributed $2.0 million to the qualified pension plan and our contributions for the other employee post-retirement benefits were not significant. During 2021, based on current estimates, we expect our contributions to the qualified pension plan will be approximately $1.3 million. We expect that our funding of other employee post-retirement benefits during 2021 will not be significant.

The following table provides the components of net periodic cost included in our statements of operations for the plans for the years ended December 31, 2020 and 2019 (in thousands):

	Pension Benefits Year Ended December 31,		Other Benefits Year Ended December 31,	
	2020	2019	2020	2019
Service cost (1)	$ 703	$ 722	$ —	$ —
Interest cost (2)	1,765	2,018	17	21
Expected return on plan assets (2)	(2,651)	(2,432)	—	—
Amortization of net actuarial loss (2)	1,288	1,006	11	2
Net periodic cost	$ 1,105	$ 1,314	$ 28	$ 23

(1) Included in general and administrative expenses.
(2) Included in other expense.

Assumptions

Assumptions used to determine net periodic cost:

	Year Ended December 31,	
	2020	2019
Discount rate	3.25%	4.25%
Expected return on plan assets	7.00%	7.25%
Rate of compensation increase	4.25%	4.25%

Assumptions used to determine the benefit obligation:

	December 31,	
	2020	2019
Discount rate	2.50%	3.25%
Rate of compensation increase	4.25%	4.25%

The expected long-term rate of return on pension plan assets is selected by taking into account the expected duration of the projected benefit obligation for the plans, the asset mix of the plans and the fact that the plan assets are actively managed to mitigate risk. Our expected long-term rate of return on plan assets for 2021 is 6.75%.

As of December 31, 2020 and 2019, the Company contributions remaining for other benefits were primarily for fixed amounts. Therefore, future health care cost trend rates will not affect Company costs and accumulated post-retirement benefit obligation.

Plan Assets

The Company has established the pension plan as a retirement vehicle for participants and as a funding vehicle to secure promised benefits. The investment goal is to provide a total return that over time will earn a rate of return to satisfy the benefit obligations given investment risk levels, contribution amounts and expenses. The pension plan invests in compliance with the Employee Retirement Income Security Act 1974, as amended (“ERISA”), and any subsequent applicable regulations and laws.

The Company has adopted an investment policy for the management and oversight of the pension plan. It sets forth the objectives for the pension plan, the strategies to achieve these objectives, procedures for monitoring and control and the delegation of responsibilities for the oversight and management of pension plan assets.

The Company’s Board of Directors has delegated primary fiduciary responsibility for pension assets to an investment committee. In carrying out its responsibilities, the investment committee establishes investment policy, makes asset allocation decisions, determines asset class strategies and retains investment managers to implement asset allocation and asset class strategy decisions. It is responsible for the investment policy and may amend such policy from time to time.

Pension plan assets are invested in various asset classes in what we believe is a prudent manner for the exclusive purpose of providing benefits to participants. U.S. equities are held for their long-term expected return premium over fixed income investments and inflation. Non-U.S. equities are held for their expected return premium (along with U.S. equities), as well as diversification relative to U.S. equities and other asset classes. Fixed income investments are held for diversification relative to equities. Real assets are held for diversification relative to equities and fixed income. Alternative investments are held for both diversification and higher returns than those typically available in traditional asset classes.

Asset allocation policy is the principal method for achieving the pension plan’s investment objectives stated above. Asset allocation policy is reviewed regularly by the investment committee. The pension plan’s actual and targeted asset allocations, are as follows:

	December 31, 2020	Target Allocation	
	Actual Allocation	Target	Target Range
Liquid return-seeking investments	61%	56.5%	45-65%
Alternative investments	10%	14.5%	0-20%
Fixed income investments	29%	29.0%	20-40%
	100%	100%	100%

The target allocation within the liquid return-seeking portfolio is 75% global equities, 15% marketable real assets and 10% fixed income. Allocations may vary by up to 5% from these targets.

The pension plan's assets are actively managed using a multi-asset, multi-style, multi-manager investment approach. Portfolio risk is controlled through this diversification process and monitoring of money managers. Consideration of such factors as differing rates of return, volatility and correlation are utilized in the asset and manager selection process. Diversification reduces the impact of losses in single investments. Performance results and fund accounting are provided to the Company by Russell on a monthly basis. Periodic reviews of the portfolio are performed by the investment committee with Russell. These reviews typically consist of a market and economic review, a performance review, an allocation review and a strategy review. Performance is judged by investment type against market indexes. Allocation adjustments or fund changes may occur after these reviews. Performance is reported to the Company's Board of Directors at quarterly board meetings.

Fair Value Measurements

The values of the fund trusts are calculated using systems and procedures widely used across the investment industry. Generally, investments are valued based on information in financial publications of general circulation, statistical and valuation services, discounted cash flow methodology, records of security exchanges, appraisal by qualified persons, transactions and bona fide offers.

The table below provides the fair values of the Company's pension plan assets, by asset category, at December 31, 2020 and 2019. The Company's pension plan assets are mainly held in commingled employee benefit fund trusts.

	Fair Value Measurements					
Asset Category	**Total**	**Percentage**	**Level 1**	**Level 2**	**Level 3**	**Assets Measured at NAV(1)**
			(Dollars in thousands)			
At December 31, 2020						
Liquid return-seeking:						
Multi-asset fund(2)	$ 25,196	61%				$ 25,196
Fixed income securities:						
Commingled funds(3)	11,881	29%				11,881
Alternative investments:						
Equity long/short fund(4)	2,201	5%			$ 2,201	
Private equity fund(5)	22	0%			22	
Distressed opportunity limited partnership(6)	433	1%			433	
Multi-strategy limited partnership(7)	1,724	4%			1,724	
	4,380	10%	—	—	4,380	—
	$ 41,457	100%	—	—	$ 4,380	$ 37,077
At December 31, 2019						
Liquid return-seeking:						
Multi-asset fund(2)	$ 23,127	61%				$ 23,127
Fixed income securities:						
Commingled funds(3)	11,463	30%				11,463
Alternative investments:						
Equity long/short fund(4)	1,349	4%			$ 1,349	
Private equity fund(5)	48	0%			48	
Distressed opportunity limited partnership(6)	463	1%			463	
Multi-strategy limited partnership(7)	1,696	4%			1,696	
	3,556	9%	—	—	3,556	—
	$ 38,146	100%	—	—	$ 3,556	$ 34,590

(1) Assets measured using the net asset value ("NAV") practical expedient have not been classified in the fair value hierarchy. The NAV practical expedient is based on the fair value of the underlying assets of the common/collective trust ("CCT") minus its liabilities, and then divided by the number of units outstanding. The NAV practical expedient of a CCT is calculated based on a compilation of primarily observable market information.

(2) A single fund that invests in global equities, marketable real assets and fixed income securities. The fund has no limitation on redemptions.

(3) Investments in bonds representing many sectors of the broad bond market with both short-term and intermediate-term maturities. The fund has no limitation on redemptions.

(4) Investments primarily in long and short positions in equity securities of U.S. and non-U.S. companies. The fund generally has semi-annual tender offer redemption periods on June 30 and December 31 and is reported on a one month lag.

(5) Fund invests in portfolios of secondary interest in established venture capital, buyout, mezzanine and special situation funds on a global basis. Fund is valued on a quarterly lag with adjustment for subsequent cash activity. The fund terminates on July 12, 2021, subject to extension for a one-year period. Earlier redemptions are not permitted.

(6) Investments mainly in discounted debt securities, bank loans, trade claims and other debt and equity securities of financially troubled companies. This partnership has semi-annual withdrawal rights on June 30 and December 31 with notice of 90 days and is reported on a one month lag.

(7) Investments in a partnership that has a multi-strategy investment program and does not rely on a single investment model. This partnership has quarterly redemption rights with notice of 65 days and is reported on a one month lag.

Additional information pertaining to the changes in the fair value of the pension plan assets classified as Level 3 for the years ended December 31, 2020 and 2019 is presented below:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)				
	Private Equity Fund	Equity Long/Short Fund	Distressed Opportunity Ltd. Partnership	Multi Strategy Fund	Total
			(In thousands)		
Balance, January 1, 2019	$ 76	$ 1,002	$ 463	$ 1,602	$ 3,143
Unrealized (loss) gain	(23)	347	—	94	418
Sales	(5)	—	—	—	(5)
Balance, December 31, 2019	48	1,349	463	1,696	3,556
Unrealized (loss) gain	(26)	852	(30)	28	824
Balance, December 31, 2020	$ 22	$ 2,201	$ 433	$ 1,724	$ 4,380

Both the Equity Long/Short Fund and the Distressed Opportunity Limited Partnership are valued at each month-end based upon quoted market prices by the investment managers.

The Multi-Strategy Fund invests in various underlying securities. The fund's net asset value is calculated by the fund manager and is not publicly available. The fund manager accumulates all the underlying security values and uses them in determining the fund's net asset value.

The private equity fund and limited partnership valuations are primarily based on cost/price of recent investments, earnings/performance multiples, net assets, discounted cash flows, comparable transactions and industry benchmarks.

The annual audited financial statements of all funds are reviewed by the Company.

Benefit Payments

The following benefit payments, which reflect future services, as appropriate, are expected to be paid (in thousands):

	Pension Benefits	Other Benefits
2021	$ 2,323	$ 84
2022	2,421	71
2023	2,573	60
2024	2,814	49
2025	2,833	40
2026 to 2030	15,346	122

Employee Savings (401k) Plan

We have an employee savings (401k) plan, to which the Company provides contributions which match up to 6% of a participant's base salary at a rate of 66⅔%. The Company also makes retirement contributions to the savings (401k) plan, which provide added retirement benefits to employees hired on or after July 1, 2006, as they are not eligible to participate in our defined benefit pension plan. Retirement contributions are provided regardless of an employee's contribution to the savings (401k) plan. Matching contributions and retirement contributions are collectively known as Company contributions. Company contributions are made in cash and placed in each participant's age appropriate "life cycle" fund. For each of the years ended December 31, 2020 and 2019, Company contributions were $0.1 million. Participants of the savings (401k) plan are able to redirect Company contributions to any available fund within the plan. Participants are also able to direct their contributions to any available fund.

12. 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.

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 December 31, 2020 and 2019.

13. Commitments and Contingencies

Financial Matters

In 2012, we sold our former subsidiary, SSL, to MDA Communications Holdings, Inc., a subsidiary of Maxar Technologies Inc. (formerly known as MacDonald, Dettwiler and Associates Ltd.) ("MDA") pursuant to the Purchase Agreement. Under the terms of the Purchase Agreement, we are obligated to indemnify MDA and its affiliates from liabilities with respect to certain pre-closing taxes. Our consolidated balance sheets include an indemnification refund receivable of $0.6 million as of December 31, 2020 and 2019. Certain tax assessments against SSL for 2007 to 2010 have been settled, resulting in our having received during the second and third quarters of 2019 refunds of prior indemnification payments totaling $1.8 million. The remaining receivable as of December 31, 2020 represents payments to date over the estimated fair value of the remaining liability for our indemnification of SSL pre-closing taxes where the final amounts 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.

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 consolidated balance sheets include liabilities of $0.1 million as of December 31, 2020 and 2019 for indemnification liabilities relating to the sale of GdB.

See Note 14 — *Related Party Transactions — Transactions with Affiliates — Telesat* for commitments and contingencies relating to the Transaction and our agreement to indemnify Telesat for certain liabilities.

Lease Arrangements

We lease a facility and certain equipment under agreements expiring at various dates. We may renew, extend or modify a lease covering facilities as needed. We have no sublease income in any of the periods presented.

We changed our method of accounting for leases in the first quarter of 2019 due to the adoption of ASC 842. We adopted ASC 842 as of January 1, 2019 using the modified retrospective transition method and elected to apply the transition as of the beginning of the period of adoption.

Upon adoption of ASC 842, we recognized a right-of-use asset and lease liability of $0.3 million for an operating lease on our consolidated balance sheet as of January 1, 2019. In March 2019, the operating lease was modified by extending the lease termination date from June 30, 2019 to June 30, 2020 and increasing the rent for the extension period. In December 2019, the operating lease was further modified by extending the lease termination date to June 30, 2021. Lease costs expensed for the years ended December 31, 2020 and 2019 were as follows (in thousands):

	Lease Expense
Year ended December 31, 2020	$ 695
Year ended December 31, 2019	677

Lease payments for the year ended December 31, 2020 were $0.7 million. The remaining lease term as of December 31, 2020 is 6 months, and we used a discount rate of 7.5% to compute the lease liability at inception and at each modification date. The right-of-use asset is being amortized over the life of the lease.

The following is a reconciliation of the future operating lease payments to operating lease liability as of December 31, 2020 (in thousands):

2021 (January 1, 2021 through June 30, 2021)		350
Total operating lease payments		350
Less: Interest		(5)
Operating lease liability	$	345
Amounts recognized in Balance Sheet		
Other current liabilities	$	345

Legal Proceedings

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.

14. 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.

Various funds affiliated with MHR and Dr. Rachesky held, as of December 31, 2020 and December 31, 2019, approximately 39.9% of the outstanding voting common stock and 58.4% of the combined outstanding voting and non-voting common stock of Loral.

Transactions with Affiliates

Telesat

Recent Developments

Transaction Agreement. On November 23, 2020, Loral entered into the Transaction Agreement with Telesat, Telesat Partnership, Telesat Corporation, Telesat CanHoldco, Merger Sub, PSP and Red Isle, under which Merger Sub will merge with and into Loral, with Loral surviving the Merger as a wholly owned subsidiary of Telesat Partnership, and Loral stockholders receiving common shares of Telesat Corporation and/or units of Telesat Partnership that will be exchangeable for common shares of Telesat Corporation following the expiration of a six-month lock-up period.

Upon satisfaction of the terms and subject to the conditions set forth in the Transaction Agreement, the Transaction will result in the current stockholders of Loral, PSP and the other shareholders in Telesat (principally current or former management of Telesat) owning approximately the same percentage of equity in Telesat indirectly through Telesat Corporation and/or Telesat Partnership as they currently hold (indirectly in the case of Loral stockholders and PSP) in Telesat, Telesat Corporation becoming the publicly traded general partner of Telesat Partnership and Telesat Partnership indirectly owning all of the economic interests in Telesat, except to the extent that the other shareholders in Telesat elect to retain their direct interest in Telesat.

The Transaction Agreement provides for certain economic adjustments and contractual protections with respect to Loral's assets and liabilities other than its indirect interest in Telesat. These include among others:

- *One Time Payment*. To induce PSP and Red Isle to enter into the Transaction, Loral will pay Red Isle $7 million at Closing.

LORAL SPACE & COMMUNICATIONS INC.
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- *Absolute Indemnities*. Loral, Telesat Corporation and Telesat CanHoldco will indemnify PSP for PSP' *pro rata* share of costs relating to: (a) certain losses and litigation proceedings related to the Transaction, (b) certain out-of-pocket expenses of Loral after the Closing and (c) certain tax matters. This indemnification will be (i) independent of the accuracy of the underlying representations and warranties, (ii) in the case of the tax indemnification, subject to a cap of $50 million and (iii) subject to additional, customary limitations.

The Transaction Agreement also provides certain termination rights for both Loral and PSP and further provides that, in certain circumstances, Loral may be required to pay to Red Isle a termination fee of $6,550,000 or $22,910,000, or to pay to PSP a "breach" fee of $40,000,000, in each case as provided in the Transaction Agreement.

In connection with the Transaction, Loral entered into the following agreements with related parties or their subsidiaries:

Subscription Agreement for Series B Preferred Stock. In connection with the Transaction, Loral issued to Telesat Partnership five shares of Series B Preferred Stock pursuant to the terms of a subscription agreement entered into between Loral and Telesat Partnership. Such shares of Series B Preferred Stock will remain outstanding following the Merger and will give Telesat Partnership the right to vote such shares once there is no Loral common stock outstanding.

Full and Final Release and Amendment of Tolling Agreement. Loral has asserted certain claims against PSP arising out of PSP' actions in certain previous transaction processes relating to Telesat. PSP has asserted various counterclaims and Loral, PSP and Telesat have entered into a series of tolling agreements preventing those claims from being terminated due to the passing of the statute of limitations while negotiating the Transaction Agreement. In connection with the signing of the Transaction Agreement, the parties entered into a mutual release that will release those claims on the first to occur of the closing of the Transaction or the termination of the Transaction Agreement due to Loral's material breach.

Standstill Agreement. Loral and MHR have entered into a standstill agreement (the "MHR Standstill Agreement") prohibiting MHR and its affiliates from, subject to the terms thereof, acquiring more than an additional 6% of the outstanding Voting Common Stock prior to the conclusion of the Loral stockholder meeting to be held to approve the Transaction. The MHR Standstill Agreement will terminate immediately upon the first to occur of the conclusion of the Loral stockholder meeting and termination of the Transaction Agreement.

Ownership Interest. As described in Note 5, we own a 62.6% economic interest and a 32.6% voting interest in Telesat and account for our ownership interest under the equity method of accounting.

Shareholders Agreement. 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, PSP and one of its subsidiaries, 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 and its subsidiaries will be conducted and the relationships among the parties thereto and future shareholders of Telesat. 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 or any of its subsidiaries. Additionally, the Shareholders Agreement details the matters requiring the approval of the shareholders of Telesat (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. The Shareholders Agreement also (i) restricts the ability of holders of certain shares of Telesat to transfer such shares unless certain conditions are met or approval of the transfer is granted by the directors of Telesat, (ii) provides for a right of first offer to certain Telesat shareholders if a holder of equity shares of Telesat 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 equity securities.

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 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, including a right to cause Telesat to conduct an initial public offering in which PSP's shares would be the first shares offered or, if no such offering has occurred within one year due to a lack of cooperation from Loral or Telesat, to cause the sale of Telesat and to drag along the other shareholders in such sale, subject to Loral's right to call PSP's shares at fair market value.

The Shareholders Agreement provides for a board of directors of 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 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. In addition, Michael B. Targoff, Loral's Vice Chairman, serves on the board of directors of Telesat.

Consulting Services Agreement. 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 which expires on October 31, 2021. 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. Our general and administrative expenses for each of the years ended December 31, 2020 and 2019, are net of income of $5.0 million related to the Consulting Agreement. Loral received payments in cash from Telesat, net of withholding taxes, of $4.8 million for each of the years ended December 31, 2020 and 2019.

Tax Indemnification. In connection with the acquisition of our ownership interest in Telesat in 2007, Loral retained the benefit of tax recoveries related to the transferred assets and indemnified Telesat ("Telesat Indemnification") for certain liabilities, including Loral Skynet's tax liabilities arising prior to January 1, 2007. The Telesat Indemnification 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 $0.7 million. The Company believes that Loral Skynet's filing position will ultimately be sustained requiring no payment under the Telesat Indemnification. There can be no assurance that there will be no future claims under the Telesat Indemnification related to tax disputes.

Administrative Fee. Loral's employees and retirees participate in certain welfare plans sponsored or managed by Telesat. Loral pays Telesat an annual administrative fee of $0.1 million and reimburses Telesat for the plan costs attributable to Loral participants.

Grant Agreements. Loral, along with Telesat, PSP and 4440480 Canada Inc., an indirect wholly-owned subsidiary of Loral (the "Special Purchaser"), entered into stock option grant agreements (the "Stock Option Grant Agreements") and a restricted stock unit grant agreement (the "RSU Grant Agreement," and, together with the Stock Option Grant Agreements, the "Grant Agreements") with respect to shares in Telesat with certain executives of Telesat (each, a "Participant" and collectively, the "Participants"). Each of the Participants is or was, at the time, an executive of Telesat.

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The Stock Option Grant Agreements document grants to the Participants of Telesat stock options (including tandem SAR rights) 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 should Telesat be prohibited by applicable law or under the terms of any credit agreement applicable to Telesat from purchasing such shares, or otherwise default on such purchase obligation, pursuant to the terms of the Stock Option Grant Agreements; and (x) the obligation of the Special Purchaser to purchase shares upon exercise by Telesat of its call right under Telesat'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 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 to cause the Special Purchaser or Loral to purchase a portion of the shares in Telesat owned by him, or that are issuable to him under Telesat'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.

The RSU Grant Agreement documents a grant to the Participant of restricted stock units with respect to shares in Telesat and provides for certain rights, obligations and restrictions related to such restricted stock units, which include, among other things: (x) the possible obligation of the Special Purchaser to purchase the shares in the place of Telesat should Telesat be prohibited by applicable law or under the terms of any credit agreement applicable to Telesat from purchasing such shares, or otherwise default on such purchase obligation, pursuant to the terms of the RSU Grant Agreement; and (y) the obligation of the Special Purchaser to purchase shares upon exercise by Telesat of its call right under Telesat's Management Stock Incentive Plan in the event of the termination of the Participant's employment.

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

Other

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. On July 1, 2020, Loral, XTAR and Hisdesat restructured their relationship (see Note 5). As part of the restructuring, XTAR and Loral terminated the Loral Management Agreement pursuant to which Loral provided 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. As of December 31, 2019, amounts due to Loral, primarily due to the Loral Management Agreement, were $6.7 million, and we had an allowance of $6.6 million against these receivables. On July 2, 2020, Loral received from XTAR $5.9 million in full and final settlement of the past due receivable outstanding of $6.6 million under the Loral Management Agreement. As of December 31, 2020, Loral had a $0.1 million receivable from XTAR.

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. Under the agreement, Mr. Targoff receives consulting fees of $120,000 per month and reimburses the Company for certain expenses. For each of the years ended December 31, 2020 and 2019, Mr. Targoff earned $1,440,000 in consulting fees and reimbursed Loral net expenses of $45,000.

SCHEDULE II

LORAL SPACE & COMMUNICATIONS INC.
VALUATION AND QUALIFYING ACCOUNTS
For the Year Ended December 31, 2020 and 2019
(In thousands)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts	Deductions from Allowance	Balance at End of Period
Year ended December 31, 2019					
Allowance for affiliate receivables	$ 6,692	$ —	$ —	$ —	$ 6,692
Deferred tax valuation allowance	$ 128,365	$ 118	$ —	$ —	$ 128,483
Year ended December 31, 2020					
Allowance for affiliate receivables	$ 6,692	$ —	$ —	$ (6,552)(1)	$ 140
Deferred tax valuation allowance	$ 128,483	$ (69)	$ —	$ —	$ 128,414

(1) Deductions from allowance for affiliate receivables reflects $5,854 receivable collected and $698 receivable write-off during the year.

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Report of Independent Registered Public Accounting Firm

To the shareholders and the Board of Directors of Telesat Canada

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Telesat Canada (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income (loss), comprehensive income (loss), changes in shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Goodwill and Indefinite Life Intangible Assets (Orbital Slots) Impairment - Refer to Notes 3, 4, 16 and 17 of the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill and indefinite life intangible assets, specifically orbital slots impairment involves the comparison of the recoverable amount of each Cash Generating Unit ("CGU") to its carrying value. The recoverable amount of each CGU is based on the higher of its fair value less costs of disposal and its value in use, which is determined using both a market approach based on market multiples and an income approach based on a discounted cash flow. In determining the recoverable amount of the CGUs, management made significant estimates and assumptions related to future revenue forecasts, future expenses, capital expenditures, working capital, costs of disposal, discount rates and market multiples. In addition, the Company plans to introduce new satellites under the Low Earth Orbit constellation (known as "Telesat Lightspeed") whose forecasted revenues contribute significantly to the estimated recoverable amount of the CGUs. The recoverable amounts of the CGUs exceeded their carrying values as of December 31, 2020 and no impairment charge to goodwill or orbital slots was recorded.

While there are several estimates and assumptions that are required to determine the recoverable amounts of the CGUs, the estimates with the highest degree of subjectivity are future revenue forecasts, discounts rates and market multiples ("key assumptions"). This required significant auditor attention as the key assumptions are subject to a high degree of auditor judgment and there is limited historical data for Telesat Lightspeed which resulted in an increased extent of effort, including the involvement of fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the key assumptions used to determine the recoverable amount of the CGUs included the following, among others:

- Evaluated management's ability to accurately forecast future revenues by comparing actual results to historical forecasts.

- Evaluated the reasonableness of future revenue forecasts by comparing the forecasts to:

    - Historical revenue;
    - Contracted revenue backlog for existing service contracts;
    - Internal communications from management to the board of directors and external communications made by management to analysts and investors;
    - Industry reports containing analyses of the Company's and its competitors' revenues.

- With the assistance of fair value specialists:

    - Evaluated the reasonableness of the discount rates by testing the source information underlying the determination of the discount rates and developing a range of independent estimates and comparing to those selected by management.
    - Evaluated the market multiples by analyzing precedent market transactions and comparable public company multiples and developing a range of independent market multiples and comparing to those selected by management.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
March 3, 2021

We have served as the Company's auditor since 1993.

TELESAT CANADA

Consolidated Statements of Income (Loss)
For the years ended December 31

(in thousands of Canadian dollars)	Notes	2020	2019	2018
Revenue	5	$ 820,468	$ 910,893	$ 902,932
Operating expenses	6	(180,874)	(165,499)	(185,827)
Depreciation		(216,885)	(242,966)	(224,851)
Amortization		(17,195)	(23,277)	(24,305)
Other operating (losses) gains, net	7	(215)	(862)	743
Operating income		405,299	478,289	468,692
Interest expense	8	(203,760)	(258,261)	(237,786)
Loss on refinancing	23	-	(151,919)	-
Interest and other income		5,196	20,043	16,498
Loss on changes in fair value of financial instruments		(13,115)	(49,672)	(18,205)
Gain (loss) on foreign exchange		47,605	163,840	(259,079)
Income (loss) before tax		241,225	202,320	(29,880)
Tax recovery (expense)	9	4,353	(15,122)	(61,056)
Net income (loss)		$ 245,578	$ 187,198	$ (90,936)

See accompanying notes to the consolidated financial statements

TELESAT CANADA

Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31

(in thousands of Canadian dollars)	**Notes**	**2020**	**2019**	**2018**
Net income (loss)		$ 245,578	$ 187,198	$ (90,936)
Other comprehensive (loss) income				
Items that may be reclassified into profit or loss				
Foreign currency translation adjustments		(32,422)	(50,465)	44,459
Items that will not be reclassified into profit or loss				
Actuarial (losses) gains on employee benefit plans	29	(13,693)	1,134	7,755
Tax recovery (expense)		3,584	(403)	(2,031)
Other comprehensive (loss) income		(42,531)	(49,734)	50,183
Total comprehensive income (loss)		$ 203,047	$ 137,464	$ (40,753)

See accompanying notes to the consolidated financial statements

TELESAT CANADA

Consolidated Statements of Changes in Shareholders' Equity

(in thousands of Canadian dollars)	Notes	Common shares	Preferred shares	Total share capital	Accumulated earnings	Equity-settled employee benefits reserve	Foreign currency translation reserve	Total reserves	Total shareholders' equity
Balance as at January 1, 2018		$ 26,580	$ 126,102	152,682	$ 968,408	$ 31,549	$ (9,818)	21,731	1,142,821
Net loss		-	-	-	(90,936)	-	-	-	(90,936)
Issuance of share capital on exercise of stock appreciation rights	24	-	1,024	1,024	(1,079)	(339)	-	(339)	(394)
Cumulative effect adjustment		-	-	-	(38,516)	-	322	322	(38,194)
Other comprehensive income, net of tax expense of $2,031		-	-	-	5,724	-	44,459	44,459	50,183
Share-based compensation		-	-	-	-	29,505	-	29,505	29,505
Balance as at December 31, 2018		$ 26,580	$ 127,126	$153,706	$ 843,601	$ 60,715	$ 34,963	$ 95,678	$ 1,092,985
Balance as at January 1, 2019		$ 26,580	$ 127,126	$153,706	$ 843,601	$ 60,715	$ 34,963	$ 95,678	$ 1,092,985
Net income		-	-	-	187,198	-	-	-	187,198
Dividends declared on Director Voting Preferred shares	24	-	-	-	(20)	-	-	-	(20)
Issuance of share capital on exercise of stock appreciation rights	24	-	385	385	(455)	(144)	-	(144)	(214)
Issuance of share capital on settlement of restricted share units	24	-	804	804	-	(1,729)	-	(1,729)	(925)
Other comprehensive income (loss), net of tax expense of $403		-	-	-	731	-	(50,465)	(50,465)	(49,734)
Share-based compensation		-	-	-	-	16,035	-	16,035	16,035
Balance as at December 31, 2019		$ 26,580	$ 128,315	$154,895	$ 1,031,055	$ 74,877	$ (15,502)	$ 59,375	$ 1,245,325
Balance as at January 1, 2020		$ 26,580	$ 128,315	$154,895	$ 1,031,055	$ 74,877	$ (15,502)	$ 59,375	$ 1,245,325
Net income		-	-	-	245,578	-	-	-	245,578
Dividends declared on Director Voting Preferred shares	24	-	-	-	(10)	-	-	-	(10)
Issuance of share capital on settlement of restricted share units	24	-	803	803	-	(1,729)	-	(1,729)	(926)
Other comprehensive loss, net of tax recovery of $3,584		-	-	-	(10,109)	-	(32,422)	(32,422)	(42,531)
Share-based compensation		-	-	-	-	12,500	-	12,500	12,500
Balance as at December 31, 2020		$ 26,580	$ 129,118	$155,698	$ 1,266,514	$ 85,648	$ (47,924)	$ 37,724	$ 1,459,936

See accompanying notes to the consolidated financial statements

TELESAT CANADA

Consolidated Balance Sheets

(in thousands of Canadian dollars)	Notes	December 31, 2020	December 31, 2019
Assets			
Cash and cash equivalents	30	$ 818,378	$ 1,027,222
Trade and other receivables	10	51,928	64,062
Other current financial assets	11	448	210
Prepaid expenses and other current assets	12	22,861	43,724
Total current assets		893,615	1,135,218
Satellites, property and other equipment	5, 15	1,318,526	1,458,933
Deferred tax assets	9	79,912	12,412
Other long-term financial assets	13	53,425	57,730
Other long-term assets	5, 14	9,922	8,264
Intangible assets	5, 16	779,190	802,791
Goodwill	17	2,446,603	2,446,603
Total assets		$ 5,581,193	$ 5,921,951
Liabilities			
Trade and other payables	18	$ 30,091	$ 26,247
Other current financial liabilities	19	35,880	38,281
Other current liabilities	20	96,155	72,315
Current indebtedness	23	-	24,408
Total current liabilities		162,126	161,251
Long-term indebtedness	23	3,187,152	3,688,391
Deferred tax liabilities	9	325,893	348,762
Other long-term financial liabilities	21	35,499	42,511
Other long-term liabilities	22	410,587	435,711
Total liabilities		4,121,257	4,676,626
Shareholders' Equity			
Share capital	24	155,698	154,895
Accumulated earnings		1,266,514	1,031,055
Reserves		37,724	59,375
Total shareholders' equity		1,459,936	1,245,325
Total liabilities and shareholders' equity		$ 5,581,193	$ 5,921,951

See accompanying notes to the consolidated financial statements

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TELESAT CANADA

Consolidated Statements of Cash Flows
For the years ended December 31

(in thousands of Canadian dollars)	Notes	2020	2019	2018
Cash flows from operating activities				
Net income (loss)		$ 245,578	$ 187,198	$ (90,936)
Adjustments to reconcile net income (loss) to cash flows from operating activities				
Depreciation		216,885	242,966	224,851
Amortization		17,195	23,277	24,305
Tax (recovery) expense		(4,353)	15,122	61,056
Interest expense		203,760	258,261	237,786
Interest income		(7,668)	(20,268)	(12,415)
(Gain) loss on foreign exchange		(47,605)	(163,840)	259,079
Loss on changes in fair value of financial instruments		13,115	49,672	18,205
Share-based compensation	28	12,500	16,035	29,505
Loss on disposal of assets	7	215	862	353
Loss on refinancing	23	-	151,919	-
Other		(58,784)	(100,078)	(91,580)
Income taxes paid, net of income taxes received	30	(53,443)	(95,455)	(106,308)
Interest paid, net of capitalized interest and interest received	30	(179,972)	(176,112)	(176,417)
Operating assets and liabilities	30	15,018	(13,942)	88,813
Net cash from operating activities		372,441	375,617	466,297
Cash flows used in investing activities				
Satellite programs, including capitalized interest		(75,902)	(3,668)	(67,387)
Purchase of property and other equipment		(17,060)	(8,345)	(15,997)
Purchase of intangible assets		(30)	(27,597)	(19,923)
Net cash used in investing activities		(92,992)	(39,610)	(103,307)
Cash flows used in financing activities				
Repayment of indebtedness	30	(453,592)	(3,743,465)	(94,951)
Proceeds from indebtedness	30	-	3,786,082	-
Payment of early redemption premium	23	-	(43,940)	-
Payment of debt issue costs	30	-	(28,082)	(10,190)
Payments of principal on lease liabilities	30	(1,793)	(1,252)	(29)
Satellite performance incentive payments	30	(9,031)	(9,644)	(9,037)
Government grant received		14,185	-	-
Dividends paid on Director Voting preferred shares	24	(10)	(20)	-
Net cash used in financing activities		(450,241)	(40,321)	(114,207)
Effect of changes in exchange rates on cash and cash equivalents		(38,052)	(36,897)	40,605
(Decrease) increase in cash and cash equivalents		(208,844)	258,789	289,388
Cash and cash equivalents, beginning of year		1,027,222	768,433	479,045
Cash and cash equivalents, end of year	30	$ 818,378	$ 1,027,222	$ 768,433

See accompanying notes to the consolidated financial statements

Telesat Canada

Notes to the 2020 Consolidated Financial Statements
(all amounts in thousands of Canadian dollars, except where otherwise noted)

1. BACKGROUND OF THE COMPANY

Telesat Canada (the “Company” or “Telesat”) is a Canadian corporation. Telesat is a global satellite operator, providing mission-critical communications solutions to support the requirements of sophisticated satellite users throughout the world. Headquartered in Ottawa, Canada, the Company’s state-of-the-art fleet consists of 15 geostationary satellites and the Canadian payload on ViaSat-1.

The Company has commenced the development of a constellation of low earth orbit (“LEO”) satellites and integrated terrestrial infrastructure, called “Telesat Lightspeed”. In January 2018, the first LEO satellite was successfully launched into orbit. This Phase 1 LEO satellite has demonstrated certain key features of the Telesat Lightspeed system design, specifically the capability of the satellite and customer terminals to deliver a low latency broadband experience.

As at December 31, 2020, Loral Space and Communications Inc. (“Loral”) and Canada’s Public Sector Pension Investment Board (“PSP Investments”) indirectly held economic interests in Telesat of approximately 63% and 36%, respectively, with the remaining economic interest held by various individuals. Loral indirectly held a voting interest of 33% on all matters including the election of directors. PSP Investments indirectly held a voting interest of 67% on all matters except for the election of directors, and a 29% voting interest for the election of directors. The remaining voting interest of 38% for the election of directors is held by shareholders of the Company’s Director Voting Preferred Shares.

Unless the context states or requires otherwise, references herein to the “financial statements” or similar terms refer to the audited consolidated financial statements of Telesat Canada.

On March 3, 2021, these financial statements were approved by the Audit Committee of the Board of Directors and authorized for issue.

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The accounting policies described in Note 3 were consistently applied.

Basis of Consolidation

Subsidiaries

These consolidated financial statements include the results of the Company and subsidiaries controlled by the Company. Control is achieved when the Company has power over an entity, has exposure, or rights to variable returns from its involvement with an entity, and has the ability to use the power over an entity to affect the amount of its return. The most significant subsidiaries are listed in Note 32.

Joint arrangements

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to their share of the assets and revenue, and obligations for the liabilities and expenses, relating to the arrangement.

The Company’s consolidated financial statements include the Company’s share of the assets, liabilities, revenue and expenses of its interest in joint operations.

Telesat Canada

Notes to the 2020 Consolidated Financial Statements
(all amounts in thousands of Canadian dollars, except where otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on an historical cost basis except for certain financial instruments which were measured at their fair values, as explained in the accounting policies below. Historical cost is based on the fair value of the consideration given or received in exchange for assets or liabilities.

Segment Reporting

The Company operates in a single operating segment, in which it provides satellite-based services to its broadcast, enterprise and consulting customers around the world. Operating segments are reported in a manner consistent with the internal reporting provided to the Company's Chief Operating Decision Maker, who is the Company's Chief Executive Officer. To be reported, a segment is usually based on quantitative thresholds but can also encompass qualitative factors management deems significant.

Foreign Currency Translation

Unless otherwise specified, all figures reported in the consolidated financial statements and associated note disclosures are presented in Canadian dollars, which is the functional and presentation currency of the Company. Each of the subsidiaries of the Company determines its own functional currency and uses that currency to measure items on their separate financial statements.

For the Company's non-foreign operations, foreign currency non-monetary assets and liabilities are translated at their historical exchange rates, foreign currency monetary assets and liabilities are translated at the year end exchange rates, and foreign denominated revenue and expenses are translated at the average exchange rates of the month in which the transactions occurred. Gains or losses on translation of these items are recognized as a component of net income (loss).

Upon consolidation of the Company's foreign operations that have a functional currency other than the Canadian dollar, assets and liabilities are translated at the year end exchange rate, and revenue and expenses are translated at the average exchange rates of the month in which the transactions occurred. Gains or losses on the translation of foreign subsidiaries are recognized in other comprehensive income (loss).

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less, or which are available upon demand with no penalty for early redemption, are classified as cash and cash equivalents. Cash and cash equivalents are comprised of cash on hand, demand deposits, short-term investments and restricted cash expected to be used within the next twelve months.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Revenue Recognition

Telesat recognizes revenue from satellite services on a monthly basis as services are performed in an amount that reflects the consideration the Company expects to receive in exchange for those services. Telesat accounts for a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability is considered probable.

Revenue from a contract to sell consulting services is recognized as follows:

- Consulting revenue for cost plus contracts is recognized as the approved time and labor is completed by Telesat.

- Fixed price consulting revenue contracts use an input method to determine the progress towards complete satisfaction of the performance obligation. The input method is measured by comparing actual cost incurred to total cost expected.

Equipment sale revenue is recognized when the customer obtains control of the equipment, being at the time the equipment is delivered to and accepted by the customer. Only equipment sales are subject to warranty or return and there is no general right of return. Historically, the Company has not incurred significant expenses for warranties.

When a transaction involves more than one product or service, revenue is allocated to each performance obligation based on its relative stand-alone selling price. Transactions are evaluated to determine whether the Company is the principal and if the transactions should be recorded on a gross or net basis.

Deferred Revenue

Deferred revenue represents the Company’s liability for the provision of future services and is classified on the balance sheet in other current and long-term liabilities. Deferred revenue consists of remuneration received in advance of the provision of service and in the majority of cases is recognized in income on a straight-line basis over the term of the related customer contracts. In the case of certain deferred revenue for short-term services, balances are recognized into income upon the completion or percentage completion of the related contract. Prepayments are evaluated to determine whether or not they constitute a significant financing component. The Company has elected a practical expedient whereby if the timing difference between the customer prepayment and the transfer of control of the promised goods and services is less than a year then it would not be considered as a significant financing component.

A significant financing component will only occur in the following circumstances:

- There is a timing difference between when the control of goods or services is transferred to the customer and when the customer pays for the goods;

- The timing difference between the customer prepayment and transfer of control of the promised goods and services is in excess of one year; and

- The primary reason for the prepayment is for financing purposes.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

In the case of the existence of a significant financing component, the amount of the consideration is adjusted to reflect what the cash selling price of the promised service would have been if payments had occurred as control of the service was transferred to the customer. The discount rate used in determining the significant financing component is the rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception.

Borrowing Costs

Borrowing costs are incurred on the Company's debt financing. Borrowing costs attributable to the acquisition, production or construction of a qualifying asset are added to the cost of that asset. The Company has defined a qualifying asset as an asset that takes longer than twelve months to be ready for its intended use or sale. Capitalization of borrowing costs continues until such time that the asset is substantially ready for its intended use or sale. Borrowing costs are determined based on specific financing related to the asset, or in the absence of specific financing, the borrowing costs are calculated on the basis of a capitalization rate which is equal to the Company's weighted average cost of debt. All other borrowing costs are expensed when incurred.

Leases

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether or not the contract conveys the right to control the use of the asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, less any lease incentives received. The right-of-use assets are depreciated to the earlier of the end of the useful life of the asset or the end of the lease term. Each individual lease liability is initially measured at the present value of the lease payments over the respective lease term, discounted using the Company's incremental borrowing rate for that lease.

The lease term is the non-cancellable period determined for each of the leases considering the option to extend when it is reasonably certain that the Company will exercise the option or the option to terminate if it is reasonably certain that the Company will exercise the option.

After the commencement date, the right-of-use assets are measured applying the cost model and depreciated to the earlier of the end of the useful life of the asset or the end of the lease term on a straight-line basis. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease, using the effective interest method, and by reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured when there is a change in future lease payments, arising from a change in index or rate, or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option. The amount of the remeasurement of the lease liability is also recognized as an adjustment to the right-of-use asset, or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected to not recognize a right-of-use asset or lease liability for any lease that has a lease term of 12 months or less. The payments associated with these agreements would be recognized as an operating expense on a straight-line basis over the lease term.

The Company has also elected the practical expedient, for property leases, not to separate the non-lease components from the lease components, and instead account for each lease and any associated non-lease components within the contract as a single lease component.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Government Grants

Government grants are recognized where there is a reasonable assurance that the grant will be received and the attached conditions will be complied with.

When the grant relates to an expense, the grant is recorded as a deduction to the related expense incurred over the same period.

When the grant relates to an asset, the grant is deducted from the carrying amount of the related asset as the grant is receivable.

Satellites, Property and Other Equipment

Satellites, property and other equipment, which are carried at cost, less accumulated depreciation and any accumulated impairment losses, include the contractual cost of equipment, capitalized engineering costs, capitalized borrowing costs during the construction or production of qualifying assets, and with respect to satellites, the cost of launch services, and launch insurance.

Depreciation is calculated using the straight-line method over the respective estimated useful lives of the assets.

Below are the estimated useful lives in years of satellites, property and other equipment as at December 31, 2020.

	Years
Satellites	12 to 15
Right-of-use assets	2 to 27
Property and other equipment	3 to 30

Construction in progress is not depreciated as depreciation only commences when the asset is ready for its intended use. For satellites, depreciation commences on the day the satellite becomes available for service.

The investment in each satellite will be removed from the accounts when the satellite is retired. When other property is retired from operations at the end of its useful life, the cost of the asset and accumulated depreciation are removed from the accounts. Earnings are credited with the amount of any net salvage value and charged with any net cost of removal. When an asset is sold prior to the end of its useful life, the gain or loss is recognized immediately in other operating (losses) gains, net.

In the event of an unsuccessful launch or total in-orbit satellite failure, all unamortized costs that are not recoverable under launch or in-orbit insurance are recorded in other operating (losses) gains, net.

Liabilities related to decommissioning and restoration of retiring property and other equipment are measured at fair value with a corresponding increase to the carrying amount of the related asset. The liability is accreted over the period of expected cash flows with a corresponding charge to interest expense. The liabilities recorded to date have not been significant and are reassessed at the end of each reporting period. There are no decommissioning or restoration obligations for satellites.

Telesat Canada

Notes to the 2020 Consolidated Financial Statements
(all amounts in thousands of Canadian dollars, except where otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Satellite Performance Incentive Payments

Satellite performance incentive payments are obligations payable to satellite manufacturers over the lives of certain satellites. The present value of the payments are capitalized as part of the cost of the satellite and recognized as part of the depreciation of the satellite.

Impairment of Long-Lived Assets

Tangible fixed assets and finite life intangible assets are assessed for impairment on an annual basis or more frequently when events or changes in circumstances indicate that the carrying value of an asset exceeds the recoverable amount. Tangible fixed assets and finite life intangible assets are also assessed for indicators of impairment or impairment reversals at each reporting period.

In cases where there are indicators of impairment, the recoverable amount of the asset, which is the higher of its fair value less costs of disposal and its value in use, is determined. If it is not possible to measure the recoverable amount for a particular asset, the Company determines the recoverable amount of the cash generating unit ("CGU") with which it is associated. A CGU is the smallest identifiable group of assets that generates cash inflows which are largely independent of the cash inflows from other assets or groups of assets.

The Company measures value in use on the basis of the estimated future cash flows to be generated by an asset or CGU. These future cash flows are based on the Company's latest business plan information approved by senior management and are discounted using rates that best reflect the time value of money and the specific risks associated with the underlying asset or assets in the CGU.

The fair value less costs of disposal is the price that would be received to sell an asset or CGU in an orderly transaction between market participants at the measurement date. For the impairment assessment, the fair value is calculated on a recurring basis and is calculated using level 3 of the fair value hierarchy.

An impairment loss is the amount by which the carrying amount of an asset or CGU exceeds its recoverable amount. When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised measure of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. Impairment losses and reversals of impairment losses are recognized in other operating (losses) gains, net.

Goodwill and Intangible Assets

The Company accounts for business combinations using the acquisition method of accounting, which establishes specific criteria for the recognition of intangible assets separately from goodwill. Goodwill represents the excess between the total of the consideration transferred over the fair value of net assets acquired. After initial recognition at cost, goodwill is measured at cost less any accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

The Company distinguishes intangible assets between assets with finite and indefinite useful lives. Intangible assets with indefinite useful lives are comprised of the Company's trade name, intellectual property, and orbital slots. These assets are carried at cost less any accumulated impairment losses. Finite life intangible assets, which are carried at cost less accumulated amortization and any accumulated impairment losses, consist of revenue backlog, customer relationships, customer contracts, concession rights, transponder rights and patents. Intangible assets with finite lives are amortized over their estimated useful lives using the straight-line method of amortization, except for revenue backlog which is based on the expected period of recognition of the related revenue.

Below are the estimated useful lives in years of the finite life intangible assets as at December 31, 2020.

	Years
Revenue backlog	17
Customer relationships	20 to 21
Customer contracts	15
Concession rights	5 to 15
Transponder rights	16
Patents	18

Impairment of Goodwill and Indefinite Life Intangible Assets

An assessment for impairment of goodwill and indefinite life intangible assets is performed annually, or more frequently whenever events or changes in circumstances indicate that the carrying amounts of these assets are likely to exceed their recoverable amount. Goodwill is tested for impairment at the entity level as this represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment. With the exception of trade name, which have not been allocated to any CGU and are tested for impairment at the asset level, indefinite life intangible assets are tested for impairment at the CGU level. In the case of orbital slots, the CGU is based on geography.

Goodwill and indefinite life intangible assets are qualitatively assessed for indicators of impairment.

If the qualitative assessment concludes an indication of impairment, a quantitative impairment test is performed. A quantitative impairment test consists of assessing the recoverable amount of an asset, which is the higher of its fair value less costs of disposal and its value in use. For the quantitative impairment assessment, fair value is calculated on a recurring basis and is calculated using level 2 or level 3 of the fair value hierarchy depending on the valuation approach being utilized.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Orbital Slots

In performing the quantitative orbital slot impairment analysis, the Company determines, for each CGU, its fair value less costs of disposal, and its value in use on an annual basis. The higher of these two amounts is determined to be the recoverable amount. To the extent that the recoverable amount is less than the carrying value of the asset, an impairment exists and the asset is written down to its recoverable amount.

The key assumptions used in estimating the recoverable amounts of the orbital slots include assumptions such as:

i) the market penetration leading to revenue growth;

ii) the profit margin;

iii) the duration and profile of the build-up period;

iv) the estimated start-up costs and losses incurred during the build-up period; and

v) the discount rate.

Fair value less costs of disposal is the price that would be received to sell the CGU in an orderly transaction between market participants at the measurement date. In order to determine the fair value less costs of disposal, the Company uses either a market or income approach. Under a market approach, the Company measures what an independent third party would pay to purchase the orbital slots by looking to actual market transactions for similar assets. Under an income approach, the fair value is determined to be the sum of the projected discounted cash flows over a discrete period of time in addition to the terminal value.

The value in use amount is the present value of the future cash flows expected to be derived from the CGU. The determination of this amount includes projections of cash inflows from the continuing use of the asset and cash outflows that are required to generate the associated cash inflows. These cash flows are discounted at an appropriate discount rate.

Goodwill

In performing the quantitative goodwill impairment analysis, the Company assesses the recoverable amount of goodwill using the income approach as well as the market approach in the determination of the fair value of goodwill at the entity level.

Under the income approach, the sum of the projected discounted cash flows for the next five years, or a longer period if justified by the most recent financial plan approved by management, in addition to a terminal value are used to determine the fair value at the entity level. In this model, significant assumptions used include: revenue, expenses, capital expenditures, working capital, costs of disposal, terminal growth rate and discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Under the market approach, the fair value at the entity level is determined based on market multiples derived from comparable public companies. As part of this analysis, assumptions are made regarding the comparability of selected companies including revenue, earnings before interest, taxes, depreciation and amortization multiples for valuation purposes, growth rates, size and overall profitability.

Under both approaches, all assumptions used are based on management's best estimates. The discount rates are consistent with external sources of information.

Trade Name

For the purposes of quantitative impairment testing, the fair value of the trade name is determined using an income approach, specifically the relief from royalties method.

The relief from royalties method is comprised of two major steps:

i) a determination of the hypothetical royalty rate; and

ii) the subsequent application of the royalty rate to projected revenue.

In determining the hypothetical royalty rate in the relief from royalties method, the Company considered comparable license agreements, operating earnings benchmarks, an excess earnings analysis to determine aggregate intangible asset earnings, and other qualitative factors. The key assumptions used include the tax and discount rates.

Intellectual Property

In performing the quantitative intellectual property impairment analysis, the Company determines its fair value less costs of disposal, and its value in use on an annual basis. The higher of these two amounts is determined to be the recoverable amount. To the extent that the recoverable amount is less than the carrying value of the asset, an impairment exists and the asset is written down to its recoverable amount.

The Company measures value in use on the basis of the estimated future cash flows to be generated by an asset. These future cash flows are based on the Company's latest business plan information approved by senior management and are discounted using rates that best reflect the time value of money and the specific risks associated with the underlying asset.

Fair value less costs of disposal is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. In order to determine the fair value less costs of disposal, the Company uses a market approach. Under a market approach, the Company measures what an independent third party would pay to purchase the intellectual property.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Financial Instruments

Financial assets are initially recognized at fair value. Financial assets are measured using one of three measurement approaches (fair value through profit or loss ("FVTPL"), fair value through other comprehensive income ("FVTOCI"), or amortized cost). A financial asset is measured at amortized cost if it is not designated as FVTPL, it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A debt investment is measured at FVTOCI if it is not designated at FVTPL, it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding. On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis. All financial assets not classified as measured at amortized cost or FVTOCI as described above are measured at FVTPL.

The following accounting policies apply to the subsequent measurement of the Company's financial assets:

- Amortized cost: The financial assets are subsequently measured at amortized cost in accordance with the effective interest method. The amortized cost is reduced by any impairment losses; and

- FVTPL: These financial assets are subsequently measured at fair value with changes in fair value recorded in the consolidated statement of income (loss) as part of loss on changes in fair value of financial instruments.

Financial liabilities are initially measured at fair value. Financial liabilities are classified as amortized cost or FVTPL. Financial liabilities that are classified as amortized cost are measured and recorded at amortized cost in accordance with the effective interest method. Financial liabilities classified as FVTPL are subsequently measured at fair value with changes in fair value recorded in the consolidated statement of income (loss) as part of the loss on changes in fair value of financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

The Company has used derivative financial instruments to manage its exposure to foreign exchange risk associated with debt denominated in foreign currencies, as well as to reduce its exposure to interest rate risk associated with debt. Currently, the Company does not designate any of its derivative financial instruments as hedging instruments for accounting purposes. All realized and unrealized gains and losses on these derivative financial instruments are recorded in the consolidated statement of income (loss) as part of loss on changes in fair value of financial instruments.

Derivatives, including embedded derivatives that must be separately accounted for, are recorded at fair value on the consolidated balance sheet at inception and marked to market at each reporting period thereafter. Derivatives embedded in financial liabilities and other non-financial instrument contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is measured separately according to its characteristics. The Company accounts for embedded foreign currency derivatives and the related host contract as a single instrument where the contract requires payments denominated in the currency that is commonly used in contracts to procure non-financial items in the economic environment in which the Company transacts.

Transaction costs for instruments classified as FVTPL are expensed as incurred. Transaction costs that are directly attributable to the acquisition of financial assets and liabilities (other than FVTPL) are added or deducted from the fair value of the financial asset or financial liability on initial recognition.

The Company's financial assets classified as amortized cost and contract assets are subject to impairment requirements. The Company has elected to measure loss allowances for trade receivables and other contract assets at an amount equal to lifetime expected credit loss. The lifetime expected credit losses are the expected credit losses that result from possible default events over the expected life of the instrument.

Financing Costs

The debt issuance costs related to the Senior Secured Credit Facility, the 6.5% Senior Notes and the 4.875% Senior Secured Notes are included in current and long-term indebtedness and are amortized to interest expense using the effective interest method. All other debt issuance costs are accounted for as short-term and long-term deferred charges and are included in prepaid expenses and other current assets and other long-term assets. The deferred charges are amortized to interest expense on a straight-line basis over the term of the indebtedness to which they relate.

Employee Benefit Plans

Telesat maintains one contributory and three non-contributory defined benefit pension plans which provide benefits based on length of service and rate of pay. Two of these defined-benefit plans were closed to new members in 2013. Telesat is responsible for adequately funding the defined benefit pension plans. Contributions are made based on actuarial cost methods that are permitted by pension regulatory bodies and reflect assumptions about future investment returns, salary projections and future service benefits. Telesat also provides other post-employment and retirement benefits, including health care and life insurance benefits on retirement and various disability plans, worker's compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependents, after employment but before retirement, under certain circumstances. In addition, Telesat provides defined contribution pension plans, under certain circumstances, for employees who are not eligible for the defined benefit pension plans. Costs for defined contribution pension plans are recognized as an expense during the year in which the employees have rendered service entitling them to the Company's contribution.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

The Company accrues the present value of its obligations under employee benefit plans and the related costs reduced by the fair value of plan assets. Pension costs and other retirement benefits are determined using the projected unit credit method prorated on service and management's best estimate of expected investment performance, salary escalation, retirement ages of employees and expected health care costs.

Pension plan assets are valued at fair value. The discount rate is based on the market interest rate of high quality bonds and is consistent with guidance described by Canadian Institute of Actuaries in the December 2020 Revision to the Educational Note on Setting the Accounting Discount Rate Assumption for Pension and Post-employment Benefit Plans. Past service costs arising from plan amendments are recognized immediately to the extent that the benefits are already vested, and otherwise are amortized on a straight-line basis over the average remaining vesting period. A valuation is performed at least every three years to determine the present value of the accrued pension and other retirement benefits.

Remeasurements arising from defined benefit pension plans comprise actuarial gains and losses and the return on plan assets (excluding interest). Telesat recognizes them immediately in other comprehensive income (loss), which is included in accumulated earnings, in the year in which they occur.

The current service costs and administration fees not related to asset management are included in operating expenses. The net interest expense (income) on the net defined benefit liability (asset) for the period is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability (asset) at the beginning of the year while taking into account any changes in the net defined benefit liability (asset) during the year as a result of contributions and benefit payments. The net interest expense (income) is included in interest expense.

The pension expense for 2020 was determined based on membership data as at December 31, 2018. The accrued benefit obligation as at December 31, 2020 was determined based on the membership data as at December 31, 2019, and extrapolated one year based on December 31, 2020 assumptions. For certain Canadian post-retirement benefits, the expense for 2020 was based on membership and eligibility data as at September 30, 2018 and the accrued benefit obligations as at December 31, 2020 was based on membership data as at September 30, 2018. The accrued benefit obligation for certain American post-retirement benefits as at December 31, 2020 was determined based on membership data as at January 1, 2019, and extrapolated, based on December 31, 2020 assumptions. The most recent valuation of the pension plans for funding purposes was as of December 31, 2019. Valuations will be performed for the pension plans as of December 31, 2020.

Telesat also provides health care and life insurance benefits for certain retired employees. These benefits are funded primarily on a pay-as-you-go basis, with the retiree paying a portion of the cost through contributions, deductibles and co-insurance provisions. Commencing in 2015, as a result of an amendment to one of the plans, Telesat has contributed to a health reimbursement account instead of providing the health care and life insurance benefits directly to certain retired employees.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Share-Based Compensation Plans

The Company offers equity-settled share-based compensation plans for certain key employees under which it receives services from employees in exchange for equity instruments of the Company. The expense is based on the fair value of the awards granted using the Black-Scholes option pricing model. The expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are satisfied, with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over the respective vesting period with a significant higher proportionate amount of the total expense being recognized earlier in the vesting period.

Restricted Share Units

For each restricted share unit (“RSU”), an expense is recorded over the vesting period equal to the fair value of the Non-Voting Participating Preferred shares with a corresponding increase in equity. For awards with graded vesting, the fair value of each tranche is recognized over the respective vesting period with a significant higher proportionate amount of the total expense being recognized earlier in the vesting period. RSU’s are expected to be settled in Non-Vesting Participating Preferred shares of Telesat.

Income Taxes

Income tax expense, comprised of current and deferred income tax, is recognized in income except to the extent it relates to items recognized in other comprehensive income (loss) or equity, in which case the income tax expense is recognized in other comprehensive income (loss) or equity, respectively.

Current income tax is measured at the amount expected to be paid to the taxation authorities, net of recoveries, based on the tax rates and laws enacted or substantively enacted as at the balance sheet date.

Deferred taxes are the result of temporary differences arising between the tax bases of assets and liabilities and their carrying amount. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that the deferred tax assets will be realized. Unrecognized deferred tax assets are reassessed at each balance sheet date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets are netted against the deferred tax liabilities when they relate to income taxes levied by the same taxation authority on either:

i) the same taxable entity; or

ii) different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Deferred tax liabilities are recognized for all taxable temporary differences except when the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination. For taxable temporary differences associated with investments in subsidiaries, a deferred tax liability is recognized unless the parent can control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Future Changes in Accounting Policies

The IASB periodically issues new and amended accounting standards. The new and amended standards determined to be applicable to the Company are disclosed below. The remaining new and amended standards have been excluded as they are not applicable.

Interest rate benchmark reform – Phase 2

In August 2020, the IASB issued amendments to various IFRS standards associated with the ongoing interest rate benchmark reform. The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as inter-bank offered rates ("IBOR") to alternative benchmark interest rates.

The amendments are effective for annual periods beginning on or after January 1, 2021 with early application permitted. The Company is currently evaluating the impact of the Phase 2 of the interest rate benchmark reform on its consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Critical judgments in applying accounting policies

The following are the critical judgments made in applying the Company's accounting policies which have the most significant effect on the amounts reported in the financial statements:

Deferred Revenue

The Company's accounting policy relating to deferred revenue is described in Note 3. Certain of the Company's revenue agreements were noted to include a significant financing component. Judgment by management is required to determine the discount rate used in the significant financing component calculation.

Lease Liability

The Company's accounting policy relating to leases is described in Note 3. Judgment by management is required in the determination of the likelihood that the lease renewal periods will be exercised as well as the determination of the incremental borrowing rate.

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES – (continued)

Uncertain income tax positions

The Company operates in numerous jurisdictions and is subject to country-specific tax laws. Management uses significant judgment when determining the worldwide provision for tax, and estimates provisions for uncertain tax positions as the amounts expected to be paid based on a qualitative assessment of all relevant factors. In the assessment, management considers risk with respect to tax matters under active discussion, audit, dispute or appeal with tax authorities, or which are otherwise considered to involve uncertainty. Management reviews the provisions as at each balance sheet date.

Critical accounting estimates and assumptions

The Company makes accounting estimates and assumptions that affect the carrying value of assets and liabilities, reported net income (loss) and disclosure of contingent assets and liabilities. Estimates and assumptions are based on historical experience, current events and other relevant factors, therefore, actual results may differ and differences could be material.

The accounting estimates and assumptions critical to the determination of the amounts reported in the financial statements were as follows:

Derivative financial instruments measured at fair value

Derivative financial assets and liabilities measured at fair value were $30.3 million and $18.0 million, respectively, as at December 31, 2020 (December 31, 2019 — $32.8 million and $7.9 million, respectively).

Quoted market values are unavailable for the Company’s financial instruments and, in the absence of an active market, the Company determines fair value for financial instruments based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market-based inputs. The determination of fair value is significantly impacted by the assumptions used for the amount and timing of estimated future cash flows and discount rates. As a result, the fair value of financial assets and liabilities and the amount of loss on changes in fair value of financial instruments recorded to net income (loss) could vary.

Impairment of goodwill

Goodwill represented $2,446.6 million of total assets as at December 31, 2020 and 2019. Determining whether goodwill is impaired using a quantitative approach requires an estimation of the Company’s value which requires management to estimate the future cash flows expected to arise from operations and to make assumptions regarding economic factors, tax rates and annual growth rates. Actual operating results and the related cash flows of the Company could differ from the estimates used for the impairment analysis.

Telesat Canada

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4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES – (continued)

Impairment of intangible assets

Intangible assets represented $779.2 million of total assets as at December 31, 2020 (December 31, 2019 — $802.8 million). Impairment of intangible assets is tested annually or more frequently if indicators of impairment or reversal of a prior impairment loss exist. If a quantitative impairment analysis is required, it would require the Company to estimate the future cash flows expected to arise from operations and to make assumptions regarding economic factors, discount rates, tax rates and annual growth rates. Significant judgments are made in establishing these assumptions. Actual operating results and the related cash flows of the Company could differ from the estimates used for the impairment analysis.

Employee benefits

The cost of defined benefit pension plans and other post-employment benefits, and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates, future pension increases and return on plan assets. Due to the complexity of the valuation, the underlying assumptions, and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed annually.

Share-based compensation

The expense for stock options is based on the fair value of the awards granted using the Black-Scholes option pricing model. The Black-Scholes option pricing model includes estimates of the dividend yield, expected volatility, risk-free interest rate and the expected life in years. Any changes in these estimates may have a significant impact on the amounts reported.

Determination of useful life of satellites and finite life intangible assets

The estimated useful life and depreciation method for satellites and finite life intangible assets are reviewed annually, with the effect of any changes in estimate being accounted for on a prospective basis. Any change in these estimates may have a significant impact on the amounts reported.

Income taxes

Management assesses the recoverability of deferred tax assets based upon an estimation of the Company's projected taxable income using enacted or substantively enacted tax laws, and its ability to utilize future tax deductions before they expire. Actual results could differ from expectations.

Telesat Canada

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5. SEGMENT INFORMATION

Telesat operates in a single operating segment, in which it provides satellite-based services to its broadcast, enterprise and consulting customers around the world.

The Company derives revenue from the following services:

Broadcast — Direct-to-home television, video distribution and contribution, and occasional use services.

Enterprise — Telecommunication carrier and integrator, government, consumer broadband, resource, maritime and aeronautical, retail and satellite operator services.

Consulting and other — Consulting services related to space and earth segments, government studies, satellite control services, and research and development.

Revenue derived from the above services were as follows:

Years ended December 31,	2020	2019	2018
Broadcast	$ 411,407	$ 444,478	$ 455,125
Enterprise	389,696	444,732	428,226
Consulting and other	19,365	21,683	19,581
Revenue	$ 820,468	$ 910,893	$ 902,932

Equipment sales included within the various services were as follows:

Years ended December 31,	2020	2019	2018
Broadcast	$ 1,300	$ 233	$ 315
Enterprise	13,693	8,323	23,639
Total equipment sales	$ 14,993	$ 8,556	$ 23,954

Geographic Information

Revenue by geographic regions was based on the point of origin of the revenue, which was the destination of the billing invoice, and was allocated as follows:

Years ended December 31,	2020	2019	2018
Canada	$ 362,939	$ 395,235	$ 417,692
United States	307,433	329,634	318,779
Europe, Middle East & Africa	44,710	50,911	61,317
Latin America & Caribbean	64,024	73,120	75,011
Asia & Australia	41,362	61,993	30,133
Revenue	$ 820,468	$ 910,893	$ 902,932

(all amounts in thousands of Canadian dollars, except where otherwise noted)

5. SEGMENT INFORMATION – (continued)

For disclosure purposes, the satellites and the intangible assets have been classified based on ownership. Satellites, property and other equipment and intangible assets by geographic regions were allocated as follows:

As at December 31,	2020	2019
Canada	$ 624,303	$ 682,518
Europe, Middle East & Africa	619,959	685,562
United States	71,659	88,360
All others	2,605	2,493
Satellites, property and other equipment	$ 1,318,526	$ 1,458,933

As at December 31,	2020	2019
Canada	$ 718,880	$ 733,880
United States	38,448	39,395
Latin America & Caribbean	15,114	21,908
All others	6,748	7,608
Intangible assets	$ 779,190	$ 802,791

Other long-term assets by geographic regions were allocated as follows:

As at December 31	2020	2019
Canada	$ 9,470	$ 7,624
Europe, Middle East & Africa	452	640
Other long-term assets	$ 9,922	$ 8,264

Goodwill was not allocated to geographic regions.

Major Customers

For the year ended December 31, 2020, there were two significant customers (for the years ended December 31, 2019 and 2018 – three customers) each representing more than 10% of consolidated revenue.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

6. OPERATING EXPENSES

Years ended December 31,	2020	2019	2018
Compensation and employee benefits[(a)]	$ 89,882	$ 87,943	$ 98,350
Other operating expenses[(b)]	57,622	40,332	45,596
Cost of sales[(c)]	33,370	37,224	41,881
Operating expenses	$ 180,874	$ 165,499	$ 185,827

(a) Compensation and employee benefits included salaries, bonuses, commissions, post-employment benefits and charges arising from share-based compensation.

(b) Other operating expenses included general and administrative expenses, marketing expenses, in-orbit insurance expenses, professional fees and facility costs. The balance for the year ended December 31, 2020 included $1.9 million of leases not capitalized due to exemptions and variable lease payments not included in the measurement of the leases liabilities (December 31, 2019 - $1.7 million).

(c) Cost of sales included the cost of third-party satellite capacity, the cost of equipment sales and other costs directly attributable to fulfilling the Company's obligations under customer contracts.

7. OTHER OPERATING (LOSSES) GAINS, NET

Years ended December 31,	2020	2019	2018
Loss on disposal of assets	$ (215)	$ (862)	$ (353)
Other	—	—	1,096
Other operating (losses) gains, net	$ (215)	$ (862)	$ 743

8. INTEREST EXPENSE

Years ended December 31,	2020	2019	2018
Interest on indebtedness	$ 164,253	$ 239,805	$ 231,015
Interest on derivative instruments	11,625	(13,191)	(7,105)
Interest on satellite performance incentive payments	2,930	3,536	4,134
Interest on significant financing component	22,434	25,484	27,374
Interest on employee benefit plans (Note 29)	1,169	1,339	1,488
Interest on leases	1,349	1,288	—
Capitalized interest (Note 15)	—	—	(19,120)
Interest expense	$ 203,760	$ 258,261	$ 237,786

Telesat Canada

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9. INCOME TAXES

Years ended December 31,	2020	2019	2018
Current tax expense	$ 77,138	$ 71,202	$ 98,841
Deferred tax recovery	(81,491)	(56,080)	(37,785)
Tax (recovery) expense	$ (4,353)	$ 15,122	$ 61,056

A reconciliation of the statutory income tax rate, which is a composite of Canadian federal and provincial rates, to the effective income tax rate was as follows:

Year ended December 31,	2020	2019	2018
Income (loss) before tax	$ 241,225	$ 202,320	$ (29,880)
Multiplied by the statutory income tax rates	26.46%	26.56%	26.59%
	63,828	53,736	(7,945)
Income tax recorded at rates different from the Canadian tax rate	(22,875)	(13,017)	(10,823)
Permanent differences	1,548	(6,760)	50,458
Effect on deferred tax balances due to changes in income tax rates	(885)	(2,829)	(427)
Effect of temporary differences not recognized as deferred tax assets	(43,941)	(16,681)	35,416
Previously unrecognized tax losses and credits	—	—	(6,110)
Change in estimates related to prior period[1]	(1,467)	(311)	—
Other[1]	(561)	984	487
Tax (recovery) expense	$ (4,353)	$ 15,122	$ 61,056
Effective income tax rate	(1.80)%	7.47%	(204.34)%

(1) Certain comparative figures have been reclassified to conform to the current year presentation.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

9. INCOME TAXES – (continued)

The tax effects of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes are presented below:

As at December 31,	2020	2019
Deferred tax assets		
Foreign tax credits	$ 6,558	$ 5,710
Corporate interest restriction	—	11,393
Financing charges	12,004	17,152
Deferred revenue	11,127	13,071
Loss carry forwards	29,715	29,351
Employee benefits	12,438	8,282
Reserves	1,222	—
Other	2,531	2,209
Total deferred tax assets	$ 75,595	$ 87,168

As at December 31,	2020	2019
Deferred tax liabilities		
Capital assets	$ (149,214)	$ (178,317)
Intangible assets	(158,957)	(237,269)
Unrealized foreign exchange gains	(13,405)	(7,932)
Total deferred tax liabilities	$ (321,576)	$ (423,518)
Deferred tax liabilities, net	$ (245,981)	$ (336,350)

Deferred income tax assets of $79.9 million (December 31, 2019 – $12.4 million) on the balance sheet relates to Canada and Brazil tax jurisdictions (December 31, 2019 – United Kingdom and Canada tax jurisdictions).

Temporary differences, tax losses and tax credits

Foreign tax credit

The Company has Canadian foreign tax credits of $9.5 million which may only be used to offset taxes payable, of which $6.5 million has been recognized. The credits are due to expire between 2023 and 2030.

The Company has United Kingdom foreign tax credits of $4.6 million which have no expiry. No deferred tax asset has been recognized in respect of these foreign tax credits.

Loss carry forwards and deductible temporary differences.

The Company has tax losses in Canada of $22.4 million which expire in 2040 for which a deferred tax asset of $5.9 million has been recognized. The Company also has $1.2 million of deductible temporary differences for which no deferred tax asset has been recognized.

The Company has tax losses in the United Kingdom of $122.5 million that can be carried forward indefinitely, subject to restrictions on their utilization. The use of the losses is limited to 50% of taxable income generated in a carry forward year. Notwithstanding, the Company will be entitled to a GBP 5 million annual allowance of unrestricted taxable income not subject to the 50% limitation. A deferred tax asset of $23.3 million has been recognized in respect of the losses. The Company also has $130.8 million of unused interest deductions in the United Kingdom that can be carried forward indefinitely. No deferred tax asset has been recognized in respect of these unused interest deductions.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

9. INCOME TAXES – (continued)

The Company has tax losses of $2.0 million in the United States, that can be carried forward indefinitely subject to restrictions on their utilization. The use of the losses is limited to 80% of taxable income generated in a carry forward year. No deferred tax asset has been recognized in respect of the losses.

The Company has tax losses of $1.5 million in Brazil that can be carried forward indefinitely, subject to restrictions on their utilization. The use of the losses is limited to 30% of taxable income generated in a carry forward year. As of December 31, 2020, the Company has cumulative pre-tax income for the last three years and expectation of future income in Brazil, demonstrating sufficient positive evidence to conclude that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. A deferred tax asset of $0.5 million has been recognized in respect of the losses.

Investments in subsidiaries

As at December 31, 2020, the Company had temporary differences of $11.2 million associated with investments in subsidiaries for which no deferred tax liabilities have been recognized, as the Company is able to control the timing of the reversal of these temporary differences and it is not probable that these differences will reverse in the foreseeable future.

10. TRADE AND OTHER RECEIVABLES

As at December 31,	**2020**	**2019**
Trade receivables	$ 47,368	$ 53,893
Less: Allowance for doubtful accounts	(7,257)	(1,779)
Net trade receivables	40,111	52,114
Other receivables	11,817	11,948
Trade and other receivables	$ 51,928	$ 64,062

Allowance for doubtful accounts

The movement in the allowance for doubtful accounts was as follows:

Years ended December 31,	**2020**	**2019**
Allowance for doubtful accounts, beginning of year	$ 1,779	$ 5,136
Provisions for impaired receivables	6,069	604
Receivables written off	(146)	(4,899)
Impact of foreign exchange	(445)	938
Allowance for doubtful accounts, end of year	$ 7,257	$ 1,779

(all amounts in thousands of Canadian dollars, except where otherwise noted)

11. OTHER CURRENT FINANCIAL ASSETS

As at December 31,	2020	2019
Security deposits	$ 448	$ 210
Other current financial assets	$ 448	$ 210

12. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at December 31,	2020	2019
Prepaid expenses	$ 5,942	$ 12,896
Income tax recoverable	3,116	26,730
Inventory[(a)]	5,224	3,556
Deferred charges[(b)]	278	307
Other	8,301	235
Prepaid expenses and other current assets	$ 22,861	$ 43,724

(a) As at December 31, 2020, inventory consisted of $1.2 million of finished goods (December 31, 2019 — $1.4 million) and $4.1 million of work in process (December 31, 2019 — $2.2 million). During the year, $10.4 million was recognized as cost of equipment sales and recorded as an operating expense (December 31, 2019 — $7.0 million, December 31, 2018 — $17.7 million).

(b) Deferred charges included deferred financing charges relating to the Revolving Credit Facility.

13. OTHER LONG-TERM FINANCIAL ASSETS

As at December 31,	2020	2019
Long-term receivables	$ 17,298	$ 18,932
Security deposits	5,861	5,977
Derivative assets (Note 27)	30,266	32,821
Other long-term financial assets	$ 53,425	$ 57,730

14. OTHER LONG-TERM ASSETS

As at December 31,	2020	2019
Prepaid expenses	$ 452	$ 640
Deferred charges (Note 12)	775	1,039
Income tax recoverable	8,418	6,283
Other	277	302
Other long-term assets	$ 9,922	$ 8,264

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15. SATELLITES, PROPERTY AND OTHER EQUIPMENT

	Satellites	Property and other equipment	Right-of-use assets[1]	Assets under construction	Total
Cost as at January 1, 2019	$ 3,669,570	$ 255,055	$ —	$ 11,137	$ 3,935,762
Cumulative effect adjustment[3]	—	(474)	26,732	—	26,258
Additions	—	797	2,798	7,843	11,438
Disposals/retirements	(77,322)	(7,306)	(104)	—	(84,732)
Reclassifications and transfers from assets under construction	—	7,652	—	(7,652)	—
Impact of foreign exchange	(39,133)	(1,486)	(285)	(153)	(41,057)
Cost as at December 31, 2019	3,553,115	254,238	29,141	11,175	3,847,669
Additions[2]	—	1,635	6,813	87,444	95,892
Disposals/retirements	(93,755)	(3,285)	—	—	(97,040)
Reclassifications and transfers from assets under construction	—	4,463	—	(4,463)	—
Impact of foreign exchange	(16,028)	(1,259)	(438)	(4,402)	(22,127)
Cost as at December 31, 2020	$ 3,443,332	$ 255,792	$ 35,516	$ 89,754	$ 3,824,394
Accumulated depreciation and impairment as at January 1, 2019	$ (2,072,796)	$ (159,927)	$ —	$ —	$ (2,232,723)
Cumulative effect adjustment[3]	—	92	—	—	92
Depreciation	(225,675)	(14,890)	(2,401)	—	(242,966)
Disposals/retirements	77,322	6,379	—	—	83,701
Impact of foreign exchange	2,328	798	34	—	3,160
Accumulated depreciation and impairment as at December 31, 2019	(2,218,821)	(167,548)	(2,367)	—	(2,388,736)
Depreciation	(200,041)	(13,644)	(3,200)	—	(216,885)
Disposals/retirements	93,755	3,007	—	—	96,762
Impact of foreign exchange	2,178	705	108	—	2,991
Accumulated depreciation and impairment as at December 31, 2020	$ (2,322,929)	$ (177,480)	$ (5,459)	$ —	$ (2,505,868)
Net carrying values					
As at December 31, 2019	$ 1,334,294	$ 86,690	$ 26,774	$ 11,175	$ 1,458,933
As at December 31, 2020	$ 1,120,403	$ 78,312	$ 30,057	$ 89,754	$ 1,318,526

(1) Right-of-use assets consisted primarily of property leases.
(2) Additions for assets under construction are net of a reduction related to the government grant of $8.0 million.
(3) Relates to the recognition of the right-of-use assets in connection with the implementation of IFRS 16, *Leases* as at January 1, 2019.

15. SATELLITES, PROPERTY AND OTHER EQUIPMENT – (continued)

Certain leases which were signed were not capitalized as at December 31, 2020. Based upon the assessed lease term, the expected undiscounted cash flows totaled $10.3 million (December 31, 2019 – $10.8 million).

Substantially all of the Company's satellites, property and other equipment have been pledged as security as a requirement of the Company's Senior Secured Credit Facilities and Senior Secured Notes as at December 31, 2020 (Note 23).

Borrowing costs

For the year ended December 31, 2020 and 2019 there were no borrowing costs capitalized.

For the year ended December 31, 2018, borrowing costs of $19.1 million were capitalized with 7% as the average capitalization rate. Borrowing costs of $0.4 million were capitalized to intangible assets with the remaining balance capitalized to satellites, property and other equipment.

Impairment

No impairment was recognized for the years ended December 31, 2020, 2019 and 2018.

Joint arrangements

Telesat International Limited ("TIL") and APT entered into agreements relating to the Telstar 18 VANTAGE satellite, which are accounted for as a joint operation, whereby TIL's interest is 42.5%. Telesat (IOM) Limited ("TIOM") and ViaSat Inc. entered into agreements relating to the ViaSat-1 satellite, which are accounted for as a joint operation, whereby TIOM owns the Canadian payload on the ViaSat-1 satellite.

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16. INTANGIBLE ASSETS

The intangible assets are split between assets with finite and indefinite lives.

The indefinite life intangible assets are summarized below.

	Orbital slots	Trade name	Intellectual property	Total indefinite life intangible assets
Cost as at January 1, 2019	$ 609,995	$ 17,000	$ 47,049	$ 674,044
Additions[1]	—	—	20,137	20,137
Disposals/retirements	—	—	—	—
Impact of foreign exchange	(1,974)	—	(1,364)	(3,338)
Cost as at December 31, 2019 and January 1, 2020	608,021	17,000	65,822	690,843
Additions	—	—	5	5
Disposals/retirements	—	—	(229)	(229)
Impact of foreign exchange	(808)	—	(757)	(1,565)
Cost as at December 31, 2020	$ 607,213	$ 17,000	$ 64,841	$ 689,054
Accumulated impairment as at January 1, 2019	$ (1,100)	$ —	$ —	$ (1,100)
Impairment	—	—	—	—
Accumulated impairment as at December 31, 2019 and January 1, 2020	(1,100)	—	—	(1,100)
Impairment	—	—	—	—
Accumulated impairment as at December 31, 2020	$ (1,100)	$ —	$ —	$ (1,100)
Net carrying values				
As at December 31, 2019	$ 606,921	$ 17,000	$ 65,822	$ 689,743
As at December 31, 2020	$ 606,113	$ 17,000	$ 64,841	$ 687,954

(1) Additions for intellectual property for 2019 are net of a reduction related to the government grant of $3.3 million.

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16. INTANGIBLE ASSETS – (continued)

The finite life intangible assets are summarized below.

	Revenue backlog	Customer relationships	Customer contracts	Transponder rights	Concession rights	Other	Total finite life intangible assets
Cost as at January 1, 2019	$ 235,955	$ 198,727	$ 23,142	$ 16,718	$ 32,874	$ 59	$ 507,475
Additions	—	—	—	—	162	—	162
Disposals/retirements	(11,051)	—	(10,284)	—	(290)	—	(21,625)
Impact of foreign exchange	(1,240)	(251)	—	—	(2,598)	—	(4,089)
Cost as at December 31, 2019 and January 1, 2020	223,664	198,476	12,858	16,718	30,148	59	481,923
Additions	—	—	—	—	24	—	24
Disposals/retirements	—	(3,943)	(240)	—	—	—	(4,183)
Impact of foreign exchange	—	12	—	—	(7,258)	—	(7,246)
Cost as at December 31, 2020	$ 223,664	$ 194,545	$ 12,618	$ 16,718	$ 22,914	$ 59	$ 470,518
Accumulated amortization and impairment as at January 1, 2019	$ (207,770)	$ (130,564)	$ (12,116)	$ (11,866)	$ (6,912)	$ (37)	$ (369,265)
Amortization	(7,291)	(7,495)	(5,119)	(1,078)	(2,291)	(3)	(23,277)
Disposals/retirements	11,051	—	10,284	—	234	—	21,569
Impact of foreign exchange	1,227	142	—	—	729	—	2,098
Accumulated amortization and impairment as at December 31, 2019 and January 1, 2020	(202,783)	(137,917)	(6,951)	(12,944)	(8,240)	(40)	(368,875)
Amortization	(6,198)	(6,847)	(834)	(1,078)	(2,235)	(3)	(17,195)
Disposals/retirements	—	3,943	240	—	—	—	4,183
Impact of foreign exchange	—	(70)	—	—	2,675	—	2,605
Accumulated amortization and impairment as at December 31, 2020	$ (208,981)	$ (140,891)	$ (7,545)	$ (14,022)	$ (7,800)	$ (43)	$ (379,282)
Net carrying values							
As at December 31, 2019	$ 20,881	$ 60,559	$ 5,907	$ 3,774	$ 21,908	$ 19	$ 113,048
As at December 31, 2020	$ 14,683	$ 53,654	$ 5,073	$ 2,696	$ 15,114	$ 16	$ 91,236

(all amounts in thousands of Canadian dollars, except where otherwise noted)

16. INTANGIBLE ASSETS – (continued)

The total combined indefinite and finite life intangible assets are summarized below.

	As at December 31, 2020			As at December 31, 2019		
	Cost	Accumulated amortization and impairment	Net carrying value	Cost	Accumulated amortization and impairment	Net carrying value
Indefinite life intangibles	$ 689,054	$ (1,100)	$ 687,954	$ 690,843	$ (1,100)	$ 689,743
Finite life intangibles	470,518	(379,282)	91,236	481,923	(368,875)	113,048
Total intangibles	$ 1,159,572	$ (380,382)	$ 779,190	$ 1,172,766	$ (369,975)	$ 802,791

The orbital slots represent a right to operate satellites in a given longitudinal coordinate in space, where geostationary orbit may be achieved. They are limited in availability and represent a scarce resource. Usage of orbital slots is licensed through the International Telecommunications Union. Satellite operators can generally expect, with a relatively high level of certainty, continued occupancy of an assigned orbital slot either during the operational life of an existing orbiting satellite or upon replacement by a new satellite once the operational life of the existing orbiting satellite is over. As a result of the expectancy right to maintain the once awarded orbital slots, an indefinite life is typically associated with orbital slots.

The Company's trade name has a long and established history, a strong reputation and has been synonymous with quality and growth within the satellite industry. It has been assigned an indefinite life because of expected ongoing future use.

The Company's intellectual property relates to development relating to its planned Telesat Lightspeed Constellation. It has been assigned an indefinite life because of anticipated ongoing future use.

The following are the remaining useful lives of the intangible assets:

	Years
Revenue backlog	4
Customer relationships	6 to 8
Customer contracts	6
Transponder rights	2
Concession rights	2 to 11
Patent	5

All of the Company's intangible assets, excluding the intangible assets held in an unrestricted subsidiary, have been pledged as security as a requirement of the Company's Senior Secured Credit Facilities and 4.875% Senior Secured Notes (Note 23).

16. INTANGIBLE ASSETS – (continued)

Impairment

Finite life intangible assets are assessed for impairment at the Company's CGU level. With the exception of trade name, which is tested for impairment at the asset level, the indefinite life intangible assets are tested for impairment at the individual CGU level. The annual impairment tests for these assets were performed in the fourth quarters of 2020, 2019 and 2018 in accordance with the policy described in Note 3.

No impairment loss was recognized in the years ended December 31, 2020, 2019 and 2018.

In 2020, the recoverable amount, for indefinite life intangible assets using the income approach, for both the value in use and fair value less cost of disposal, were calculated using discount rates ranging from 8.0% to 15.0%.

In 2019, the recoverable amount, for indefinite life intangible assets using the income approach, which is equal to the value in use, was calculated using the discount rate of 8.5%.

In 2018, after performing the qualitative assessment, the Company concluded that it is remote that the fair value is less than the carrying amount. Therefore, the quantitative impairment test was not required.

Some of the more sensitive assumptions used in the quantitative analysis, including the forecasted cash flows and the discount rate, could have yielded different estimates of the recoverable amount. Actual operating results and the related cash flows of the Company could differ from the estimated operating results and related cash flows used in the impairment analysis, and had different estimates been used, it could have resulted in a different fair value.

17. GOODWILL

The Company carries goodwill at its cost of $2,446.6 million with no accumulated impairment losses since acquisition.

Impairment

Goodwill is tested for impairment at the entity level because that represents the lowest level at which goodwill supports the Company's operations and is monitored internally. The annual impairment test on goodwill was performed in the fourth quarters of 2020, 2019, and 2018 in accordance with the policy described in Note 3.

In 2020 and 2019, a quantitative assessment of goodwill was performed. The Company's recoverable amount exceeded the carrying value therefore, no impairment was recognized.

The most significant assumptions used in the quantitative impairment test for 2020 and 2019 were as follows:

- Market multiples;
- Discount rate; and
- Terminal year growth rate.

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17. GOODWILL – (continued)

Some of the more sensitive assumptions used in the quantitative analysis, including the forecasted cash flows, discount rate and market multiples, could have yielded different estimates of the recoverable amount. Actual operating results and the related cash flows of the Company could differ from the estimated operating results and related cash flows used in the impairment analysis, and had different estimates been used, it could have resulted in a different fair value.

In 2018, after performing the qualitative assessment of goodwill, the Company concluded that it is remote that the fair value is less than the carrying amount. Therefore, the quantitative goodwill impairment test was not required.

18. TRADE AND OTHER PAYABLES

As at December 31,	2020	2019
Trade payables	$ 5,393	$ 4,561
Other payables and accrued liabilities[(a)]	24,698	21,686
Trade and other payables	$ 30,091	$ 26,247

(a) Other payables and accrued liabilities included payables that are not trade in nature as well as various operating and capital accruals.

19. OTHER CURRENT FINANCIAL LIABILITIES

As at December 31,	2020	2019
Derivative liabilities (Note 27)	$ 12,581	$ 3,206
Security deposits	1,141	1,277
Satellite performance incentive payments	7,996	9,608
Interest payable[(a)]	12,046	20,563
Other	2,116	3,627
Other current financial liabilities	$ 35,880	$ 38,281

(a) Interest payable included interest payable on indebtedness, satellite performance incentive payments, and other current financial liabilities.

20. OTHER CURRENT LIABILITIES

As at December 31,	2020	2019
Deferred revenue (Note 22)	$ 81,759	$ 65,704
Decommissioning liabilities (Note 22)	790	826
Uncertain tax positions	1,315	1,315
Income taxes payable	7,326	118
Lease liabilities	2,131	1,866
Other	2,834	2,486
Other current liabilities	$ 96,155	$ 72,315

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21. OTHER LONG-TERM FINANCIAL LIABILITIES

As at December 31,	2020	2019
Derivative liabilities (Note 27)	$ 5,448	$ 4,710
Security deposits	473	458
Satellite performance incentive payments	29,578	37,343
Other long-term financial liabilities	$ 35,499	$ 42,511

22. OTHER LONG-TERM LIABILITIES

As at December 31,	2020	2019
Deferred revenue[(b)]	$ 332,363	$ 374,642
Accrued benefit liabilities (Note 29)	47,984	32,074
Uncertain tax positions	175	175
Decommissioning liabilities[(a)]	3,145	2,104
Lease liabilities[(c)]	26,920	26,716
Other long-term liabilities	$ 410,587	$ 435,711

(a) The current and long-term decommissioning liabilities on property and equipment were $3.9 million (December 31, 2019 — $2.9 million). The decommissioning liabilities are for the restoration of leased buildings and teleports. During the year ended December 31, 2020, $0.1 million was recorded as interest expense (December 31, 2019 - $0.1 million) with no decommissioning liabilities derecognized (December 31, 2019 - $0.2 million). It is expected that the decommissioning liabilities will mature between 2021 and 2062.

(b) Remaining performance obligations, which the Company also refers to as contract revenue backlog ("backlog") represents the expected future revenue under existing customer contracts, includes both cancellable and non-cancellable contracts, and any deferred revenue that will be recognized in the future in respect to cash already received. The Company does not include revenue beyond the stated expiration of the contract regardless of potential for renewal.

The Company expects the backlog as at December 31, 2020 to be recognized as follows (in millions of Canadian dollars):

2021	2022	2023	2024	2025	Thereafter	Total
$ 642	$ 518	$ 435	$ 305	$ 217	$ 569	$ 2,686

(c) The expected undiscounted contractual cash flows of the lease liabilities as at December 31, 2020 were as follows:

2021	2022	2023	2024	2025	Thereafter	Total
$ 3,388	$ 3,032	$ 2,981	$ 2,795	$ 2,518	$ 27,840	$ 42,554

The undiscounted contractual cash flows included $13.3 million of interest payments

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23. INDEBTEDNESS

As at December 31,	2020	2019
Senior Secured Credit Facilities[a]		
Revolving Credit Facility	$ —	$ —
Term Loan B – U.S. Facility (December 31, 2020 – US$1,552,815, December 31, 2019 – US$1,908,500)	1,975,957	2,479,142
Senior Notes (US$550,000)[b]	699,875	714,450
Senior Secured Notes (US$400,000)[c]	509,000	519,600
	3,184,832	3,713,192
Less: deferred financing costs and prepayment options[d]	2,320	(393)
	3,187,152	3,712,799
Less: current indebtedness	—	(24,408)
Long-term indebtedness	$ 3,187,152	$ 3,688,391

On October 11, 2019, Telesat Canada issued, through a private placement, US$550 million of Senior Notes at an interest rate of 6.5%, which mature in October 2027. Debt issue costs of $7.4 million were incurred in connection with the issuance of the Senior Notes. The Senior Notes are structurally subordinated to Telesat Canada's existing and future secured indebtedness, including obligations under its Senior Secured Credit Facilities and Senior Secured Notes. The Senior Notes are governed by the 6.5% Senior Notes Indenture. With the proceeds from the 6.5% Senior Notes offering, along with available cash on hand, all outstanding amounts, including redemption premium and discounted interest to November 15, 2019, were repaid on October 11, 2019, on the US$500 million 8.875% Senior Notes.

On December 6, 2019, Telesat Canada entered into a new amended and restated Credit Agreement with a syndicate of banks which provides for the extension of credit under the Senior Secured Credit Facilities of US$1,908.5 million and revolving credit borrowings up to US$200.0 million (or Canadian dollar equivalent). The term loan facility matures in December 2026 while the revolving credit facility matures in December 2024. Debt issue costs of $16.0 million were incurred in connection with this amendment, inclusive of $1.3 million relating to the revolving credit facility. All obligations under the Credit Agreement are guaranteed by the Company and certain of Telesat Canada's existing subsidiaries ("Guarantors"). The obligations under the Credit Agreement and the guarantees of those obligations are secured, subject to certain exceptions, by first priority liens and security interest in the assets of Telesat Canada and the Guarantors. If the Revolving Credit Facility is drawn by more than 35% of the Credit Facility amount, the Credit Agreement requires Telesat Canada to comply with a first lien net leverage ratio of 5.75:1.00, tested quarterly, and failure to comply will result in an event of default. The Credit Agreement contains total leverage ratio covenants that restrict, with certain exceptions, the ability of Telesat Canada 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. As at December 31, 2020, the leverage ratio was 4.44:1.00, which is less than the maximum test ratio of 4.50:1.00 (December 31, 2019 – 4.63:1.00, which was more than the maximum test ratio of 4.50:1.00).

23. INDEBTEDNESS – (continued)

On December 6, 2019, Telesat Canada issued, through private placement, US$400 million of Senior Secured Notes, at an interest rate of 4.875%, which mature in June 2027. Debt issue costs of $6.6 million were incurred in connection with the issuance of the Senior Secured Notes. The Senior Secured Notes are guaranteed by the Company and certain Guarantors. The Senior Secured Notes are governed by the 4.875% Senior Secured Notes Indenture. The obligations under the Senior Secured Notes Indenture are secured, subject to certain exceptions, by first priority liens and security interest in the assets of Telesat Canada and the Guarantors. The Senior Secured Notes include covenants or terms that restricts the Company's ability to, among other things: (i) incur or guarantee additional indebtedness, or issue disqualified stock or preferred shares, (ii) incur liens, (iii) pay dividends, or make certain restricted payments or investments, (iv) enter into certain transactions with affiliates, (v) modify or cancel satellite insurance, (vi) consolidate, merge, sell or otherwise dispose of substantially all assets, (vii) create restrictions on the ability to pay dividends, make loans, and sell assets, and (viii) designate subsidiaries as unrestricted subsidiaries.

The former senior secured credit facilities was fully repaid on December 6, 2019 from the new amended and restated Credit Agreement in the amount of US$1,908.5 million and the US$400 million 4.875% Senior Secured Notes.

In December 2020, the Company made a US$341.4 million prepayment on the Term Loan B – U.S. Facility. The prepayment was applied to all mandatory future quarterly principal repayments, with the remaining balance of the prepayment being applied towards the principal amount outstanding on maturity. The prepayment resulted in the recognition of a loss of $2.3 million, which was recorded against interest and other income and indebtedness. The loss recorded against the indebtedness is subsequently amortized to interest expense using the effective interest method.

(a) The Senior Secured Credit Facilities, which were entered into on December 6, 2019, are secured by substantially all of Telesat's assets. The Credit Agreement requires Telesat Canada and the Guarantors to comply with a First Lien Net Leverage Ratio if the Revolving Credit Facility is drawn by more than 35% of the Credit Facility amount. As at December 31, 2020 and 2019, Telesat was in compliance with this covenant.

The Senior Secured Credit Facilities, have two tranches which are described below:

(i) A Revolving Credit Facility ("Revolving Facility") of up to $200.0 million U.S. dollars (or Canadian dollar equivalent) is available to Telesat maturing in December 2024. This Revolving Facility is available to be drawn at any time in U.S. funds or Canadian dollar equivalent funds. Loans under the Revolving Facility bear interest at a floating interest rate. For Canadian Prime Rate and Alternative Base Rate ("ABR") loans, an applicable margin ranging from 0.75% to 1.25% is applied to the Prime Rate and ABR as these interest rates are defined in the Senior Credit Facilities. For Bankers Acceptance ("BA") Loans and Eurodollar Loans, an applicable margin ranging from 1.75% to 2.25% is applied to either the BA interest rate or LIBOR. The rates on the Revolving Facility vary depending upon the results of the first lien leverage ratio. The Revolving Facility has an unused commitment fee that ranges from 25.0 to 37.5 basis points per annum, depending upon the result of the total leverage ratio. As at December 31, 2020, other than $0.2 million (December 31, 2019 - $0.1 million) in drawings related to letters of credit, there were no borrowings under this facility.

23. INDEBTEDNESS – (continued)

(ii) The U.S. TLB Facility is a US$1,908.5 million facility maturing in December 2026. The borrowings under the U.S. TLB Facility bear interest at a floating rate of either: (i) LIBOR as periodically determined for interest rate periods selected by Telesat in accordance with the terms of the Senior Secured Credit Facilities, plus an applicable margin of 2.75%; or (ii) Alternative Base Rate as determined in accordance with the terms of the Senior Secured Credit Facilities plus an applicable margin of 1.75%. The mandatory principal repayment is equal to 0.25% of the original aggregate principal amount, payable on the last day of each quarter, commencing on March 31, 2020. As a result of the prepayment made in December 2020, mandatory quarterly principal repayments will no longer be required. The weighted average effective interest rate for the year ended December 31, 2020 was 3.63% (25-day period ended December 31, 2019 – 4.73%).

(b) The Senior Notes bear interest at an annual rate of 6.5% with interest payments payable in April and October, annually, commencing in April 2020. The Senior Notes are due in October 2027 and were entered into on October 11, 2019. The total balance of the Senior Notes is US$550.0 million. The Senior Notes include covenants or terms that restrict the Company's ability to, among other things: (i) incur or guarantee additional indebtedness, or issue disqualified stock or preferred shares, (ii) incur liens, (iii) pay dividends, or make certain restricted payments or investments, (iv) enter into certain transactions with affiliates, (v) modify or cancel satellite insurance, (vi) consolidate, merge, sell or otherwise dispose of substantially all assets, (vii) create restrictions on the ability to pay dividends, make loans, and sell assets, and (viii) designate subsidiaries as unrestricted subsidiaries. The weighted average effective interest rate for the year ended December 31, 2020 was 6.27% (81-day period ended December 31, 2019 - 6.27%).

(c) The Senior Secured Notes bear interest at an annual rate of 4.875% with interest payable on June 1 and December 1, annually, commencing in June 2020. The Senior Secured Notes are due in June 2027 and were entered into on December 6, 2019. The total balance of the Senior Secured Notes is US$400.0 million. The Senior Secured Notes are secured, subject to certain exceptions, by the assets of Telesat Canada and the Guarantors. The Senior Secured Notes include covenants or terms that restrict the Company's ability to, among other things: (i) incur or guarantee additional indebtedness, or issue disqualified stock or preferred shares, (ii) incur liens, (iii) pay dividends, or make certain restricted payments or investments, (iv) enter into certain transactions with affiliates, (v) modify or cancel satellite insurance, (vi) consolidate, merge, sell or otherwise dispose of substantially all assets, (vii) create restrictions on the ability to pay dividends, make loans, and sell assets, and (viii) designate subsidiaries as unrestricted subsidiaries. The weighted average effective interest rate for the year ended December 31, 2020 was 4.76% (25-day period ended December 31, 2019 - 4.76%).

(all amounts in thousands of Canadian dollars, except where otherwise noted)

23. INDEBTEDNESS – (continued)

(d) The Senior Secured Credit Facilities, Senior Notes and Senior Secured Notes included the following deferred financing costs and prepayment options:

(i) The U.S. TLB Facility, Senior Notes and Senior Secured Notes were presented on the balance sheet net of related deferred financing costs of $24.9 million as at December 31, 2020 (December 31, 2019 - $28.3 million). The deferred financing costs are amortized using the effective interest method.

(ii) The U.S. TLB Facility was presented on the balance sheet net of the loss on repayment of $2.3 million as at December 31, 2020 (December 31, 2019 - $Nil).

(iii) The indenture agreement for the Senior Notes contained provisions for certain prepayment options (Note 27) which were fair valued at the time of debt issuance. The initial fair value impact, as at October 11, 2019, of the prepayment option related to the Senior Notes was a $17.8 million increase to the indebtedness. This liability is subsequently amortized using the effective interest method and had a carrying amount of $15.7 million as at December 31, 2020 (December 31, 2019 - $17.4 million).

(iv) The indenture agreement for the Senior Secured Notes contained provisions for certain prepayment options (Note 27) which were fair valued at the time of debt issuance. The initial fair value impact, as at December 6, 2019, of the prepayment option related to the Senior Secured Notes was a $10.6 million increase to the indebtedness. This liability is subsequently amortized using the effective interest method and had a carrying amount of $9.3 million as at December 31, 2020 (December 31, 2019 - $10.5 million).

The short-term and long-term portions of deferred financing costs, prepayment options and loss on repayment were as follows:

As at December 31,	2020	2019
Short-term deferred financing costs	$ —	$ 3,385
Long-term deferred financing costs	24,888	24,934
	$ 24,888	$ 28,319
Short-term prepayment options	$ —	$ (3,001)
Long-term prepayment options	(24,925)	(24,925)
	$ (24,925)	$ (27,926)
Short-term loss on repayment	$ —	$ —
Long-term loss on repayment	(2,283)	—
	$ (2,283)	$ —
Deferred financing costs, prepayment options and loss on repayment	$ (2,320)	$ 393

(all amounts in thousands of Canadian dollars, except where otherwise noted)

24. SHARE CAPITAL

The number of shares and stated value of the outstanding shares were as follows:

As at December 31,	2020 Number of shares	2020 Stated value	2019 Number of shares	2019 Stated value
Common Shares	74,252,460	$ 26,580	74,252,460	$ 26,580
Voting Participating Preferred Shares	7,034,444	48,246	7,034,444	48,246
Non-Voting Participating Preferred Shares	38,508,117	80,862	38,477,137	80,059
Director Voting Preferred Shares	1,000	10	1,000	10
Share capital		$ 155,698		$ 154,895

In November 2020, December 2019 and February 2019 dividends were declared and paid on the Director Voting Preferred Shares.

In June 2018, 95,363 stock appreciation rights (“SARS”) were exercised for 39,488 Non-Voting Participating Preferred Shares, on a net settlement basis.

In January 2019, 40,269 SARS were exercised for 14,846 Non-Voting Participating Preferred Shares, on a net settlement basis.

In December 2019, 66,667 restricted share units (“RSUs”) were settled in exchange for 30,980 Non-Voting Participating Preferred Shares, on a net settlement basis.

In December 2020, 66,667 RSUs were settled in exchange for 30,980 Non-Voting Participating Preferred Shares, on a net settlement basis.

There were no changes to the rights, privileges or conditions associated to each class of shares.

The authorized share capital of the Company is comprised of: (i) an unlimited number of Common Shares, Voting Participating Preferred Shares, Non-Voting Participating Preferred Shares, Redeemable Common Shares, and Redeemable Non-Voting Participating Preferred Shares, (ii) 1,000 Director Voting Preferred Shares, and (iii) 325,000 Senior Preferred Shares. None of the Redeemable Common Shares, Redeemable Non-Voting Participating Preferred Shares or Senior Preferred Shares have been issued as at December 31, 2020 or 2019. The Company’s share-based compensation plans have authorized the grant of up to 17,495,233 options to purchase Non-Voting Participating Preferred Shares combined with authorizing 200,000 restricted share units expected to be settled in Non-Voting Participating Preferred Shares (Note 28).

24. SHARE CAPITAL – (continued)

Common Shares

The holders of the Common Shares are entitled to receive notice of and to attend all annual and special meetings of the shareholders of the Company and to one vote in respect of each common share held on all matters at all such meetings, except in respect of a class vote applicable only to the shares of any other class, in respect of which the common shareholders shall have no right to vote. The holders of the Common Shares are entitled to receive dividends as may be declared by the Board of Directors of the Company, and are entitled to share in the distribution of the assets of the Company upon liquidation, winding-up or dissolution, subject to the rights, privileges and conditions attaching to any other class of shares ranking in order of priority. The Common Shares are convertible at the holders' option, at any time, into Voting Participating Preferred Shares or Non-Voting Participating Preferred Shares, on a one-for-one basis. The Common Shares have no par value.

Voting Participating Preferred Shares

The rights, privileges and conditions of the Voting Participating Preferred Shares are identical in all respects to those of the Common Shares, except for the following:

- The holders of Voting Participating Preferred Shares are not entitled to vote at meetings of the shareholders of the Company on resolutions electing directors.

- For all other meetings of the shareholders of the Company, the holders of Voting Participating Preferred Shares are entitled to a variable number of votes per Voting Participating Preferred Share based on the number of Voting Participating Preferred Shares, Non-Voting Participating Preferred Shares and Redeemable Non-Voting Participating Preferred Shares outstanding on the record date of the given meeting of the shareholders of the Company.

- The Voting Participating Preferred Shares are convertible, at any time, at the holders' option into Common Shares or Non-Voting Participating Preferred Shares on a one-for-one basis as long as the result of such conversion does not cause the Company to cease to be a "qualified corporation" within the meaning of the Canadian Telecommunication Common Carrier Ownership and Control Regulations pursuant to the Telecommunications Act (Canada).

The Voting Participating Preferred Shares have no par value.

24. SHARE CAPITAL – (continued)

Non-Voting Participating Preferred Shares

The rights, privileges and conditions of the Non-Voting Participating Preferred Shares are identical in all respects to those of the Common Shares, except for the following:

- The holders of Non-Voting Participating Preferred Shares are not entitled to vote on any matter at meetings of the shareholders of the Company, except in respect of a class vote applicable only to the Non-Voting Participating Preferred Shares.

- The Non-Voting Participating Preferred Shares are convertible, at any time, at the holders' option into Common Shares or Voting Participating Preferred Shares on a one-for-one basis as long as the result of such conversion does not cause the Company to cease to be a "qualified corporation" within the meaning of the Canadian Telecommunication Common Carrier Ownership and Control Regulations pursuant to the Telecommunications Act (Canada).

The Non-Voting Participating Preferred Shares have no par value.

Director Voting Preferred Shares

The rights, privileges and conditions of the Director Voting Preferred Shares are identical in all respects to those of the Common Shares, except for the following:

- The holders of Director Voting Preferred Shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company at which directors of the Company are to be elected. The holders of the Director Voting Preferred Shares are not entitled to attend meetings of the shareholders of the Company and have no right to vote on any matter other than the election of directors of the Company.

- The holders of Director Voting Preferred Shares are entitled to receive annual non-cumulative dividends of $10 per share if declared by the Board of Directors of the Company, in priority to the payment of dividends on the Common Shares, Voting Participating Preferred Shares, Non-Voting Participating Preferred Shares, Redeemable Common Shares, and Redeemable Non-Voting Participating Preferred Shares, but after payment of any accrued dividends on the Senior Preferred Shares.

- The Director Voting Preferred Shares are redeemable at the option of the Company, at any time, at a redemption price of $10 per share.

The Director Voting Preferred Shares have a nominal stated value.

25. GOVERNMENT GRANT

In May 2019, Telesat entered into an agreement for a non-refundable government contribution of a value up to $85 million to July 31, 2023 relating to the Telesat Lightspeed Constellation.

For the year ended December 31, 2020, the Company recorded $12.0 million relating to the agreement (December 31, 2019 - $5.0 million).

(all amounts in thousands of Canadian dollars, except where otherwise noted)

26. CAPITAL DISCLOSURES

Telesat is a privately held company. The Company's financial strategy is designed to maintain compliance with the financial covenant under its Senior Secured Credit Facilities (Note 23), and to maximize returns to its shareholders and other stakeholders. The Company meets these objectives through regular monitoring of the financial covenant and operating results on a quarterly basis. The Company's overall financial strategy remains unchanged from 2019.

The Company defines its capital as shareholders' equity (comprising issued share capital, accumulated earnings and excluding reserves) and debt financing (comprising indebtedness and excluding deferred financing costs and prepayment options and loss on repayment as defined in Note 23).

The Company's capital at the end of the year was as follows:

As at December 31,	2020	2019
Shareholders' equity (excluding reserves)	$ 1,422,212	$ 1,185,950
Debt financing (excluding deferred financing costs, prepayment options and loss on repayment (December 31, 2019 - deferred financing costs and prepayment options))	$ 3,184,832	$ 3,713,192

If the Revolving Facility is drawn by more than 35% of the credit facility amount, the Senior Secured Credit Facilities require Telesat Canada to comply with a first lien net leverage ratio test. As at December 31, 2020, the first lien net leverage ratio was 3.43:1.00 (December 31, 2019 – 3.72:1.00), which was less than the maximum test ratio of 5.75:1.00. If the Revolving Facility is drawn, the former senior secured credit facilities required Telesat Canada to comply with a first lien net leverage ratio test.

The Company's operating results are tracked against budget on a regular basis, and this analysis is reviewed by senior management. The Company partly manages its interest rate risk due to variable interest rate debt through the use of interest rate swaps (Note 27).

27. FINANCIAL INSTRUMENTS

Measurement of Risks

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as at December 31, 2020.

Credit risk

Credit risk is the risk that a counterparty to a financial asset will default, resulting in the Company incurring a financial loss. As at December 31, 2020, the maximum exposure to credit risk is equal to the carrying value of the financial assets which totaled $924.2 million (December 31, 2019 — $1,149.2 million).

Cash and cash equivalents are invested with high quality investment grade financial institutions and are governed by the Company's corporate investment policy, which aims to reduce credit risk by restricting investments to high-grade, mainly U.S. dollar and Canadian dollar denominated investments.

The Company has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks related to trade accounts receivable. The Company's standard payment terms are 30 days with interest typically charged on balances remaining unpaid at the end of standard payment terms. The Company's historical experience with customer defaults has been minimal. As at December 31, 2020, North American and International customers made up 50% and 50% of the outstanding trade receivable balance, respectively (December 31, 2019 — 50% and 50%, respectively). Anticipated bad debt losses have been provided for in the allowance for doubtful accounts. The allowance for doubtful accounts as at December 31, 2020 was $7.3 million (December 31, 2019 — $1.8 million).

The Company mitigates the credit risk associated with derivative instruments by entering into them with only high quality financial institutions.

Foreign exchange risk

The Company'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 Company's main currency exposures lie in its U.S. dollar denominated cash and cash equivalents, trade and other receivables, trade and other payables and indebtedness with the most significant impact being on the U.S. dollar denominated indebtedness. As at December 31, 2020 and 2019, the entire indebtedness was denominated in U.S. dollars, with the Canadian dollar equivalent of the U.S. dollar denominated indebtedness equaling $3,184.8 million and $3,713.2 million, respectively, before netting of deferred financing costs, prepayment options and loss on repayment (December 31, 2019 - before netting of deferred financing costs and prepayment option).

As at December 31, 2020, the impact of a 5 percent increase (decrease) in the value of the Canadian dollar against the U.S. dollar on financial assets and liabilities would have decreased (increased) net income by $158.5 million (December 31, 2019 — $172.9 million) and increased (decreased) other comprehensive income by $35.6 million (December 31, 2019 — $30.9 million). This analysis assumes that all other variables, in particular interest rates, remain constant.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

27. FINANCIAL INSTRUMENTS – (continued)

Interest rate risk

The Company is exposed to interest rate risk on its cash and cash equivalents and its indebtedness. The interest rate risk on the indebtedness is from a portion of the indebtedness having a variable interest rate. Changes in the interest rates could impact the amount of interest that the Company is required to pay or receive.

In October 2017, the Company entered into four interest rate swaps to hedge the interest rate risk associated with the variable interest rate on $1,800.0 million of the U.S. denominated Term Loan B at fixed interest rates, excluding applicable margins, ranging from 1.72% to 2.04%. As at December 31, 2020, two interest rate swaps of US$450 million each, with expiration terms of September 2021 and September 2022, were outstanding to hedge the interest rate risk associated with the variable interest rate on the U.S. denominated Term Loan B at fixed interest rates, excluding applicable margins, of 1.95% and 2.04%.

If the interest rates on the variable rate indebtedness change by 0.25%, the result would be an increase or decrease to net income of $4.1 million for the year ended December 31, 2020 (December 31, 2019 — $2.0 million).

Liquidity risk

The Company maintains credit facilities to ensure it has sufficient funds available to meet current and foreseeable financial requirements.

The contractual maturities of financial liabilities as at December 31, 2020 were as follows:

	Carrying amount	Contractual cash flows (undiscounted)	2021	2022	2023	2024	2025	Thereafter
Trade and other payables	$ 30,091	$ 30,091	$ 30,091	$ —	$ —	$ —	$ —	$ —
Customer and other deposits	1,614	1,614	1,270	17	83	17	83	144
Satellite performance incentive payments	37,948	47,296	9,316	8,360	7,518	5,918	3,133	13,051
Other financial liabilities	2,116	2,116	2,116	—	—	—	—	—
Interest rate swaps	18,029	18,330	12,709	5,621	—	—	—	—
Indebtedness(1)	3,196,504	4,013,282	129,552	129,359	129,358	129,453	128,404	3,367,156
	$ 3,286,302	$ 4,112,729	$ 185,054	$ 143,357	$ 136,959	$ 135,388	$ 131,620	$ 3,380,351

(1) Indebtedness excludes deferred financing costs, prepayment options and loss on repayment.

The interest payable and interest payments included in the carrying value and contractual cash flows, respectively, in the above table, were as follows:

	Interest payable	Interest payments
Satellite performance incentive payments	$ 374	$ 9,558
Indebtedness	$ 11,672	$ 828,450

(all amounts in thousands of Canadian dollars, except where otherwise noted)

27. FINANCIAL INSTRUMENTS – (continued)

Financial assets and liabilities recorded on the balance sheets and the fair value hierarchy levels used to calculate those values were as follows:

As at December 31, 2020	FVTPL	Amortized cost	Total	Fair value	Fair value hierarchy
Cash and cash equivalents	$ —	$ 818,378	$ 818,378	$ 818,378	Level 1
Trade and other receivables	—	51,928	51,928	51,928	(3)
Other current financial assets	—	448	448	448	Level 1
Other long-term financial assets(1)	30,266	23,159	53,425	53,425	Level 1, Level 2
Trade and other payables	—	(30,091)	(30,091)	(30,091)	(3)
Other current financial liabilities	(12,581)	(23,299)	(35,880)	(37,921)	Level 2
Other long-term financial liabilities	(5,448)	(30,051)	(35,499)	(36,357)	Level 2
Indebtedness(2)	—	(3,184,832)	(3,184,832)	(3,214,543)	Level 2
	$ 12,237	$ (2,374,360)	$ (2,362,123)	$ (2,394,733)	

As at December 31, 2019	FVTPL	Amortized cost	Total	Fair value	Fair value hierarchy
Cash and cash equivalents	$ —	$ 1,027,222	$ 1,027,222	$ 1,027,222	Level 1
Trade and other receivables	—	64,062	64,062	64,062	(3)
Other current financial assets	—	210	210	210	Level 1
Other long-term financial assets(1)	32,821	24,909	57,730	57,730	Level 1, Level 2
Trade and other payables	—	(26,247)	(26,247)	(26,247)	(3)
Other current financial liabilities	(3,206)	(35,075)	(38,281)	(40,748)	Level 2
Other long-term financial liabilities	(4,710)	(37,801)	(42,511)	(42,493)	Level 2
Indebtedness(2)	—	(3,713,192)	(3,713,192)	(3,760,656)	Level 2
	$ 24,905	$ (2,695,912)	$ (2,671,007)	$ (2,720,920)	

(1) Other long-term financial assets classified as fair value through profit or loss were calculated using level 2 of the fair value hierarchy. All other balances were calculated using level 1 of the fair value hierarchy.
(2) Indebtedness excludes deferred financing costs, prepayment options and loss on repayment (December 31, 2019 – deferred financing costs and prepayment option).
(3) Trade and other receivables and trade and other payables approximate fair value due to the short-term maturity of these instruments.

27. FINANCIAL INSTRUMENTS – (continued)

Assets pledged as security

The Senior Secured Credit Facilities and Senior Secured Notes are secured by substantially all of Telesat's assets excluding the assets of unrestricted subsidiaries.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market under current market conditions at the measurement date. Where possible, fair values are based on the quoted market values in an active market. In the absence of an active market, the Company determines fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as option pricing models and discounted cash flow analysis, using observable market-based inputs.

The fair value hierarchy is as follows:

Level 1 is based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2 is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially all of the full term of the assets or liabilities.

Level 3 is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Estimates of fair values are affected significantly by the assumptions for the amount and timing of estimated future cash flows and discount rates, which all reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments are not reflected in the fair values. As a result, the fair values are not necessarily the net amounts that would be realized if these instruments were actually settled.

The carrying amounts of cash and cash equivalents, trade and other receivables, and trade and other payables approximate fair value due to the short-term maturity of these instruments. As at December 31, 2020, cash and cash equivalents included \$130.4 million (December 31, 2019 — \$484.7 million) of short-term investments.

The fair value of the satellite performance incentive payments, included in other current and long-term financial liabilities, was determined using a discounted cash flow methodology. The calculation is performed on a recurring basis. As at December 31, 2020 and 2019, the discount rate used was 4.4% and 5.2%, respectively.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

27. FINANCIAL INSTRUMENTS – (continued)

The fair value of the indebtedness was based on transactions and quotations from third parties considering market interest rates and excluding deferred financing costs, prepayment options and loss on repayment (December 31, 2019 – deferred financing costs and prepayment options). The calculation of the fair value of the indebtedness is performed on a recurring basis. The rates used were as follows:

As at December 31,	2020	2019
Term Loan B – U.S. Facility – Senior Secured Credit Facilities	98.88%	100.25%
Senior Notes	104.76%	104.25%
Senior Secured Notes	103.64%	102.10%

Fair value of derivative financial instruments

Derivatives were valued using a discounted cash flow methodology. The calculations of the fair value of the derivatives are performed on a recurring basis.

Interest rate swap future cash flows were determined based on current yield curves and exchange rates and then discounted based on discount curves.

Prepayment option cash flows were calculated with a third party option valuation model which is based on the current price of the debt instrument and discounted based on a discount curve.

The discount rates used to discount cash flows as at December 31, 2020 ranged from 0.08% to 0.54% (December 31, 2019 — 1.45% to 1.91%).

The fair value of the derivative assets and liabilities was calculated based on the level 2 of the fair value hierarchy. The current and long-term portions of the fair value of the Company’s derivative assets and liabilities, as at each balance sheet date, were as follows:

As at December 31, 2020	Other long-term financial assets	Other current financial liabilities	Other long-term financial liabilities	Total
Interest rate swaps	$ —	$ (12,581)	$ (5,448)	$ (18,029)
Prepayment options	30,266	—	—	30,266
	$ 30,266	$ (12,581)	$ (5,448)	$ 12,237

(all amounts in thousands of Canadian dollars, except where otherwise noted)

27. FINANCIAL INSTRUMENTS – (continued)

As at December 31, 2019	Other long-term financial assets	Other current financial liabilities	Other long-term financial liabilities	Total
Interest rate swaps	$ —	$ (3,206)	$ (4,710)	$ (7,916)
Prepayment options	32,821	—	—	32,821
	$ 32,821	$ (3,206)	$ (4,710)	$ 24,905

The reconciliation of the fair value of derivative assets and liabilities was as follows:

Fair value, December 31, 2018 and January 1, 2019	$ 46,795
Derivatives recognized at inception	
Prepayment option – Senior Notes	17,829
Prepayment option – Senior Secured Notes	10,562
Unrealized gains (losses) on derivatives	
Interest rate floor	5,368
Prepayment options	(12,391)
Interest rate swaps	(42,649)
Impact of foreign exchange	(609)
Fair value, December 31, 2019	24,905
Unrealized losses on derivatives	
Prepayment options	(2,308)
Interest rate swaps	(10,807)
Impact of foreign exchange	447
Fair value, December 31, 2020	$ 12,237

(all amounts in thousands of Canadian dollars, except where otherwise noted)

28. SHARE-BASED COMPENSATION PLANS

Telesat Canada Stock Incentive Plans

In September 2008 and April 2013, Telesat adopted share-based compensation plans (the “stock incentive plans”) for certain key employees of the Company and its subsidiaries. The stock incentive plans provide for the grant of up to 17,505,045 options, to purchase Non-Voting Participating Preferred Shares of Telesat Canada, convertible into Common Shares as detailed in the table below.

Year authorized	Quantity
2008	8,824,646
2013	4,036,729
2015	62,404
2017	350,000
2018	3,280,000
2019	500,000
2020	451,266

Of the stock options authorized and issued in 2018, 780,000 vest over three-year period with the vesting period commencing on January 1, 2018 and 2,500,000 vest over a five-year period with the vesting period commencing on November 1, 2017.

In addition, in 2018, Telesat authorized the issuance of 200,000 restricted share units expected to be settled in Non-Voting Participating Preferred Shares. The restricted share units vest over a three-year period with a vesting period commencing on January 1, 2018.

Under the stock incentive plans, two different types of stock options can be granted: time-vesting options and performance-vesting options. The time-vesting options generally become vested and exercisable over a five-year period by 20% annual increments. The performance-vesting options become vested and exercisable over a five-year period, provided that the Company has achieved or exceeded an annual or cumulative target consolidated EBITDA established by the Board of Directors. The exercise period of the stock options expires 10 years from the grant date. The exercise price of each share underlying the options will be the higher of a fixed price, established by the Board of Directors on the grant date, and the fair market value of a Non-Voting Participating Preferred Share on the grant date. Both plans authorize the Board of Directors to grant tandem SARs, at their discretion.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

28. SHARE-BASED COMPENSATION PLANS – (continued)

The Company expenses the fair value of stock options that are expected to vest over the vesting period using the Black-Scholes option pricing model. The share-based compensation expense is included in operating expenses.

The change in number of stock options outstanding and their weighted average exercise price were as follows:

	Time vesting option plans		Performance vesting option plans	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at December 31, 2018 and January 1, 2019	7,102,864	$ 25.56	432,102	$ 11.07
Granted	522,372		—	
Forfeited	(62,499)		—	
Exercised (Note 24)	(18,120)		(22,149)	
Expired	—		—	
Outstanding at December 31, 2019 and January 1, 2020	7,544,617	$ 25.63	409,953	$ 11.07
Granted	650,000		—	
Forfeited	(246,049)		(3,691)	
Exercised	—		—	
Expired	—		—	
Outstanding at December 31, 2020	7,948,568	$ 25.83	406,262	$ 11.07

The movement in the number of restricted share units outstanding was as follows:

Outstanding, January 1, 2019	200,000
Settled	(66,667)
Outstanding, December 31, 2019 and January 1, 2020	133,333
Settled	(66,667)
Outstanding, December 31, 2020	66,666

(all amounts in thousands of Canadian dollars, except where otherwise noted)

28. SHARE-BASED COMPENSATION PLANS – (continued)

The quantity of stock options that are exercisable and the weighted average remaining life were as follows:

As at December 31,	2020	2019
Time vesting option plans	5,779,565	4,762,335
Performance vesting option plans	406,266	409,953
Weighted average remaining life	6 years	7 years

The share-based compensation expense included in the consolidated statements of income (loss) was as follows:

Years ended December 31,	2020	2019	2018
Operating expenses	$ 12,500	$ 16,035	$ 29,505

The weighted average assumptions used to determine the share-based compensation expense for stock options using the Black-Scholes option pricing model were as follows:

	2020	2019	2018
Dividend yield	—%	—%	—%
Expected volatility	32.7%	32.4%	31.7%
Risk-free interest rate	2.79%	2.93%	2.94%
Expected life (years)	10	10	10

The expected volatility is based on the historical volatility of comparable publicly listed entities.

The weighted average fair value of the stock options granted during 2020 was $12.29 (2019 –$12.84).

29. EMPLOYEE BENEFIT PLANS

The expenses included on the consolidated statements of income (loss) and the consolidated statements of comprehensive income (loss) were as follows:

	Pension plans			Other post-employment benefit plans		
Years ended December 31,	2020	2019	2018	2020	2019	2018
Consolidated statements of income (loss)						
Operating expenses	$ 7,188	$ 6,198	$ 6,345	$ 145	$ 116	$ 276
Interest expense	$ 423	$ 524	$ 658	$ 746	$ 815	$ 830
Consolidated statements of comprehensive income (loss)						
Actuarial losses (gains) on employee benefit plans	$ 11,390	$ (3,325)	$ (4,555)	$ 2,303	$ 2,191	$ (3,200)

In October 2013, the Company ceased to allow new employees to join certain defined benefit plans, except under certain circumstances, and commenced a defined contribution pension plan for new employees.

The Company made contributions of $1.9 million for various defined contribution arrangements during 2020 (December 31, 2019 — $1.2 million).

(all amounts in thousands of Canadian dollars, except where otherwise noted)

29. EMPLOYEE BENEFIT PLANS – (continued)

The Company's funding policy is to make contributions to its defined benefit pension funds based on actuarial cost methods as permitted and required by pension regulatory bodies. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. Plan assets are represented primarily by Canadian and foreign equity securities, fixed income instruments and short-term investments.

The Company provides certain health care and life insurance benefits for some of its retired employees and their dependents. Participants are eligible for these benefits generally when they retire from active service and meet the eligibility requirements for the pension plan. These benefits are funded primarily on a pay-as-you-go basis, with the retiree generally paying a portion of the cost through contributions, deductibles and coinsurance provisions.

The balance sheet obligations, distributed between pension and other post-employment benefits, included in other long-term liabilities (Note 22) were as follows:

As at December 31,	2020	2019
Pension benefits	$ 22,070	$ 8,566
Other post-employment benefits	25,914	23,508
Accrued benefit liabilities	$ 47,984	$ 32,074

The amounts recognized in the balance sheets and the funded statuses of the benefit plans were as follows:

	2020		2019	
As at December 31,	Pension	Other	Pension	Other
Present value of funded obligations	$ 375,222	$ —	$ 331,737	$ —
Fair value of plan assets	(354,385)	—	(324,257)	—
	20,837	—	7,480	—
Present value of unfunded obligations	1,233	25,914	1,086	23,508
Accrued benefit liabilities	$ 22,070	$ 25,914	$ 8,566	$ 23,508

Telesat Canada

Notes to the 2020 Consolidated Financial Statements
(all amounts in thousands of Canadian dollars, except where otherwise noted)

29. EMPLOYEE BENEFIT PLANS – (continued)

The changes in the benefit obligations and in the fair value of plan assets were as follows:

	Pension	Other	Total
Change in benefit obligations			
Benefit obligation, January 1, 2020	$ 332,823	$ 23,508	$ 356,331
Current service cost	6,695	145	6,840
Interest expense	10,723	746	11,469
Remeasurements			
Actuarial losses arising from plan experience	2,212	184	2,396
Actuarial losses from change in demographic assumptions	—	11	11
Actuarial losses from changes in financial assumptions	33,278	2,108	35,386
Benefits paid	(10,294)	(726)	(11,020)
Contributions by plan participants	1,018	—	1,018
Foreign exchange	—	(62)	(62)
Benefit obligation, December 31, 2020	376,455	25,914	402,369
Change in fair value of plan assets			
Fair value of plan assets, January 1, 2020	(324,257)	—	(324,257)
Contributions by plan participants	(1,018)	—	(1,018)
Contributions by employer	(5,497)	(726)	(6,223)
Interest income	(10,300)	—	(10,300)
Benefits paid	10,294	726	11,020
Remeasurements			
Return on plan assets, excluding interest income	(24,100)	—	(24,100)
Administrative costs	493	—	493
Fair value of plan assets, December 31, 2020	(354,385)	—	(354,385)
Accrued benefit liabilities, December 31, 2020	$ 22,070	$ 25,914	$ 47,984

(all amounts in thousands of Canadian dollars, except where otherwise noted)

29. EMPLOYEE BENEFIT PLANS – (continued)

	Pension	Other	Total
Change in benefit obligations			
Benefit obligation, January 1, 2019	$ 293,969	$ 21,330	$ 315,299
Current service cost	5,701	116	5,817
Interest expense	11,241	815	12,056
Remeasurements			
Actuarial losses arising from plan experience	1,773	235	2,008
Actuarial losses from change in demographic assumptions	—	16	16
Actuarial losses from changes in financial assumptions	28,531	1,940	30,471
Benefits paid	(9,483)	(758)	(10,241)
Contributions by plan participants	1,091	—	1,091
Foreign exchange	—	(186)	(186)
Benefit obligation, December 31, 2019	332,823	23,508	356,331
Change in fair value of plan assets			
Fair value of plan assets, January 1, 2019	(283,064)	—	(283,064)
Contributions by plan participants	(1,091)	—	(1,091)
Contributions by employer	(5,736)	(758)	(6,494)
Interest income	(10,717)	—	(10,717)
Benefits paid	9,483	758	10,241
Remeasurements			
Return on plan assets, excluding interest income	(33,629)	—	(33,629)
Administrative costs	497	—	497
Fair value of plan assets, December 31, 2019	(324,257)	—	(324,257)
Accrued benefit liabilities, December 31, 2019	$ 8,566	$ 23,508	$ 32,074

The weighted average duration of the defined benefit obligation as at December 31, 2020 is 16 years for the defined benefit pension plans and 15 years for the other post-employment benefit plans. The weighted average duration of the current service cost as at December 31, 2020 is 23 years for the defined benefit pension plans and 28 years for the other post-employment benefit plans.

The estimated future benefit payments for the defined benefit pension plans and other post-employment benefit plans until 2030 are as follows:

	Pension	Other
2021	$ 11,519	$ 901
2022	$ 12,096	$ 936
2023	$ 12,790	$ 972
2024	$ 13,558	$ 1,008
2025	$ 14,433	$ 1,044
2026 to 2030	$ 80,999	$ 6,620

Benefit payments include obligations to 2030 only as obligations beyond this date are not quantifiable.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

29. EMPLOYEE BENEFIT PLANS – (continued)

The fair value of the plan assets were allocated as follows between the various types of investments:

As at December 31,	2020	2019
Equity securities		
Canada	22.9%	22.3%
United States	19.7%	19.8%
International (other than United States)	14.3%	14.1%
Fixed income instruments		
Canada	41.0%	41.2%
Cash and cash equivalents		
Canada	2.1%	2.6%

Plan assets are valued at the measurement date of December 31 each year.

The investments are made in accordance with the Statement of Investment Policies and Procedures. The Statement of Investment Policies and Procedures is reviewed on an annual basis by the Management Level Pension Fund Investment Committee with approval of the policy being provided by the Audit Committee.

The following are the significant assumptions adopted in measuring the Company's pension and other benefit obligations:

	Pension	Other	Pension	Other
As at December 31,	2020	2020	2019	2019
Actuarial benefit obligation				
Discount rate	2.60%	2.00% to 2.60%	3.20%	2.95% to 3.20%
Benefit costs for the year ended				
Discount rate	3.20%	2.95% to 3.20%	3.90%	3.90% to 4.00%
Future salary growth	2.50%	N/A	2.50%	N/A
Health care cost trend rate	N/A	3.49% to 5.49%	N/A	3.49% to 5.49%
Other medical trend rates	N/A	4.00% to 4.56%	N/A	4.00% to 4.56%

For certain Canadian post-retirement plans the above trend rates are applicable for 2020 to 2029 which will decrease linearly to 4.75% in 2029 and grading down to an ultimate rate of 3.57% per annum in 2040 and thereafter.

Sensitivity of assumptions

The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarizes how the impact on the defined benefit obligation as at December 31, 2020 and 2019 would have increased or decreased as a result of the change in the respective assumptions by one percent.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

29. EMPLOYEE BENEFIT PLANS – (continued)

	Pension		Other	
As at December 31, 2020	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	$ (53,058)	$ 67,549	$ (3,486)	$ 4,351
Future salary growth	$ 10,423	$ (9,165)	N/A	N/A
Medical and dental trend rates	N/A	N/A	$ 2,222	$ (1,839)

	Pension		Other	
As at December 31, 2019	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Discount rate	$ (45,385)	$ 57,745	$ (2,751)	$ 3,576
Future salary growth	$ 9,856	$ (8,874)	N/A	N/A
Medical and dental trend rates	N/A	N/A	$ 2,018	$ (1,531)

The above sensitivities are hypothetical and should be used with caution. Changes in amounts based on a one percent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in amounts may not be linear. The sensitivities have been calculated independently of changes in other key variables. Changes in one factor may result in changes in another, which could amplify or reduce certain sensitivities.

The Company expects to make contributions of $4.1 million to the defined benefit plans and $0.6 million to the defined contribution plan of Telesat Canada during the next fiscal year.

30. SUPPLEMENTAL CASH FLOW INFORMATION

Cash and cash equivalents were comprised of the following:

As at December 31,	**2020**	**2019**	**2018**
Cash	$ 687,967	$ 542,537	$ 342,874
Short-term investments[1]	130,411	484,685	425,559
Cash and cash equivalents	$ 818,378	$ 1,027,222	$ 768,433

(1) Consisted of short-term investments with an original maturity of three months or less or which are available on demand with no penalty for early redemption.

Income taxes paid, net of income taxes received was comprised of the following:

Years ended December 31,	**2020**	**2019**	**2018**
Income taxes paid	$ (53,842)	$ (101,952)	$ (109,193)
Income taxes received	399	6,497	2,885
	$ (53,443)	$ (95,455)	$ (106,308)

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Notes to the 2020 Consolidated Financial Statements
(all amounts in thousands of Canadian dollars, except where otherwise noted)

30. SUPPLEMENTAL CASH FLOW INFORMATION – (continued)

Interest paid, net of capitalized interest and interest received was comprised of the following:

Years ended December 31,	2020	2019	2018
Interest paid	$ (188,969)	$ (195,671)	$ (207,339)
Interest received	8,997	19,559	11,802
Capitalized interest	—	—	19,120
	$ (179,972)	$ (176,112)	$ (176,417)

The reconciliation of the liabilities arising from financing activities was as follows:

	Indebtedness	Satellite performance incentive payments	Lease liabilities
Balance as at January 1, 2020	$ 3,712,799	$ 46,951	$ 28,582
Cash outflows	(453,592)	(9,031)	(1,793)
Loss on repayment (Note 23)	2,284	—	—
Amortization of deferred financing costs, prepayment options and loss on repayment	428	—	—
Non-cash additions	—	—	2,788
Interest paid	—	—	(1,649)
Interest accrued	—	—	1,349
Other	—	182	(91)
Impact of foreign exchange	(74,767)	(528)	(135)
Balance as at December 31, 2020	$ 3,187,152	$ 37,574	$ 29,051

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30. SUPPLEMENTAL CASH FLOW INFORMATION – (continued)

	Indebtedness	Satellite performance incentive payments	Lease liabilities
Balance as at January 1, 2019	$ 3,724,228	$ 58,913	$ 369
Cash outflows	(3,743,465)	(9,644)	(1,252)
Cash inflows	3,786,082	—	—
Write-off of deferred financing costs, interest rate floor, prepayment option and net gain on repricing/repayment (Note 23)	107,065	—	—
Amortization of deferred financing costs, interest rate floor, prepayment options and net gain on repricing/repayment	22,461	—	—
Debt issue costs	(28,082)	—	—
Debt issue costs accrued	(573)		
Prepayment option at inception – Senior Notes	17,829	—	—
Prepayment option at inception – Senior Secured Notes	10,562	—	—
Cumulative effect adjustment	—	—	26,851
Non-cash additions	—	—	2,775
Interest paid	—	—	(984)
Interest accrued	—	—	1,288
Other	—	296	(236)
Impact of foreign exchange	(183,308)	(2,614)	(229)
Balance as at December 31, 2019	$ 3,712,799	$ 46,951	$ 28,582

	Indebtedness	Satellite performance incentive payments	Capital leases
Balance as at January 1, 2018	$ 3,543,377	$ 62,961	$ 369
Debt repricing costs	(10,190)	—	—
Cash outflows	(94,951)	(9,037)	(29)
Amortization of deferred financing costs, interest rate floor, prepayment option and net gain on repricing/repayment	22,497	—	—
Loss on voluntary payment (Note 23)	2,828	—	—
Gain on repricing (Note 24)	(6,901)	—	—
Cumulative effect adjustment (Note 23)	(36,072)	—	—
Other	—	191	—
Impact of foreign exchange	303,640	4,798	29
Balance as at December 31, 2018	$ 3,724,228	$ 58,913	$ 369

Telesat Canada

Notes to the 2020 Consolidated Financial Statements
(all amounts in thousands of Canadian dollars, except where otherwise noted)

30. SUPPLEMENTAL CASH FLOW INFORMATION – (continued)

The net change in operating assets and liabilities was comprised of the following:

As at December 31,	2020	2019	2018
Trade and other receivables	$ (4,173)	$ (16,113)	$ 22,056
Financial assets	161	(3,897)	(210)
Other assets	(7,286)	(13,183)	371
Trade and other payables	1,860	1,685	(4,695)
Financial liabilities	(651)	(2,125)	(1,026)
Other liabilities	25,107	19,691	72,317
	$ 15,018	$ (13,942)	$ 88,813

Non-cash investing activities were comprised of:

Years ended December 31,	2020	2019	2018
Satellites, property and other equipment	$ 2,963	$ 29,234	$ 3,795
Intangible assets	$ —	$ (3,263)	$ 3,635

(all amounts in thousands of Canadian dollars, except where otherwise noted)

31. COMMITMENTS AND CONTINGENT LIABILITIES

The following were the Company's off-balance sheet contractual obligations as at December 31, 2020:

	2021	2022	2023	2024	2025	Thereafter	Total
Property leases	$ 1,141	$ 1,079	$ 1,065	$ 1,051	$ 969	$ 12,455	$ 17,760
Capital commitments	32,055	35,057	86,785	—	—	—	153,897
Other operating commitments	32,681	6,483	5,000	4,244	3,808	11,438	63,654
	$ 65,877	$ 42,619	$ 92,850	$ 5,295	$ 4,777	$ 23,893	$ 235,311

Property leases consisted of off-balance sheet contractual obligations for land or building usage, while capital commitments included commitments for capital projects. Other operating commitments consisted of third party satellite capacity arrangements as well as other commitments that are not categorized as property leases or capital commitments. The Company's off-balance sheet obligations included the future minimum payments for the non-cancellable period of each respective obligation, which have various terms and expire between 2021 to 2039.

Certain variable costs associated with the capitalized leases have been included in property leases commitments with a termination date co-terminus with the lease liability.

The Company has entered into contracts for the development of the Telesat Lightspeed Constellation and other capital expenditures. The total outstanding commitments as at December 31, 2020 were included in capital commitments.

The Company has agreements with various customers for prepaid revenue on several service agreements which take effect when the satellite is placed in service. The Company is responsible for operating and controlling these satellites. As at December 31, 2020, customer prepayments of $414.1 million (December 31, 2019 — $440.3 million), a portion of which is refundable under certain circumstances, were reflected in other current and long-term liabilities.

In the normal course of business, the Company has executed agreements that provide for indemnification and guarantees to counterparties in various transactions. These indemnification undertakings and guarantees may require the Company to compensate the counterparties for costs and losses incurred as a result of certain events including, without limitation, loss or damage to property, change in the interpretation of laws and regulations (including tax legislation), claims that may arise while providing services, or as a result of litigation that may be suffered by the counterparties. The nature of substantially all of the indemnification undertakings prevents the Company from making a reasonable estimate of the maximum potential amount the Company could be required to pay counterparties as the agreements do not specify a maximum amount and the amounts are dependent upon the outcome of future contingent events, the nature and likelihood of which cannot be determined at this time. Historically, the Company has not made any significant payments under such indemnifications.

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31. COMMITMENTS AND CONTINGENT LIABILITIES – (continued)

Telesat and Loral have entered into an indemnification agreement whereby Loral will indemnify Telesat for tax liabilities for taxation years prior to 2007 related to Loral Skynet operations. Likewise, Telesat will indemnify Loral for the settlement of tax receivables for taxation years prior to 2007.

Legal Proceedings

The Company participates from time to time in legal proceedings arising in the normal course of its business.

Telesat previously received assessments from Brazilian tax authorities alleging that additional taxes are owed on revenue earned for the period 2003 to 2018. In September 2020, the Brazilian tax authority issued an additional assessment for 2015 for an amount, including interest and penalties, of $22 million. The total disputed amount for the period 2003 to 2018, including interest and penalties, is now $77 million. The disputes relate to the Brazilian tax authorities' characterization of revenue. The Company has challenged the assessments. The Company believes the likelihood of an unfavorable outcome in these disputes is remote and, as such, no reserve has been established.

The Canadian tax authorities previously assessed the Company for $9 million relating to transfer pricing issues for the years 2009 and 2012. In November 2020, the Canadian tax authority issued additional assessments for 2013 and 2014 for an amount, including interest, of $4 million. All disputes relate to the Canadian tax authorities' repricing of certain transactions between the Company and its subsidiaries. The Company has paid 50% of the outstanding amounts in order to formally object to the assessments. The Company believes the likelihood of an unfavorable outcome in these disputes is remote and, as such, no reserve has been established.

Other than the legal proceedings disclosed above, the Company is not aware of any proceedings outstanding or threatened as of the date hereof by or against it or relating to its business which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

32. SUBSIDIARIES

The list of significant companies included in the scope of consolidation as at December 31, 2020 was as follows:

Company	Country	Method of Consolidation	% voting rights
Infosat Communications LP	Canada	Fully consolidated	100
Telesat Spectrum General Partnership	Canada	Fully consolidated	100
Telesat LEO Holdings Inc.	Canada	Fully consolidated	100
Telesat Technology Corporation	Canada	Fully consolidated	100
Telesat Spectrum Corporation	Canada	Fully consolidated	100
Telesat Spectrum Holdings Corporation	Canada	Fully consolidated	100
Skynet Satellite Corporation	United States	Fully consolidated	100
Telesat Network Services, Inc.	United States	Fully consolidated	100
The SpaceConnection Inc.	United States	Fully consolidated	100
Telesat Satellite LP	United States	Fully consolidated	100
Telesat LEO Inc.	United States	Fully consolidated	100
Telesat US Services, LLC	United States	Fully consolidated	100
Infosat Able Holdings, Inc.	United States	Fully consolidated	100
Telesat Brasil Capacidade de Satélites Ltda.	Brazil	Fully consolidated	100
Telesat (IOM) Limited	Isle of Man	Fully consolidated	100
Telesat International Limited	United Kingdom	Fully consolidated	100

Apart from Telesat Technology Corporation, Telesat Spectrum Corporation and Telesat Spectrum Holdings Corporation, which were incorporated in 2020, the percentage of voting rights and method of consolidation were the same as at December 31, 2019.

33. RELATED PARTY TRANSACTIONS

The Company's immediate shareholders are Red Isle Private Investment Inc. ("Red Isle"), a company incorporated in Canada, Loral Holdings Corporation ("Loral Holdings"), a company incorporated in the United States and various individuals. Red Isle is wholly-owned by PSP Investments, a Canadian Crown corporation. Loral Holdings is a wholly-owned subsidiary of Loral, a United States publicly listed company.

Transactions with subsidiaries

The Company and its subsidiaries regularly engage in inter-group transactions. These transactions include the purchase and sale of satellite services and communications equipment, providing and receiving network and call centre services, access to orbital slots and management services. The transactions have been entered into over the normal course of operations. Balances and transactions between the Company and its subsidiaries have been eliminated on consolidation and therefore have not been disclosed.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

33. RELATED PARTY TRANSACTIONS – (continued)

Compensation of executives and Board level directors

Year ended December 31,	2020	2019	2018
Short-term benefits (including salaries)	$ 13,058	$ 11,051	$ 16,853
Special payments (1)	710	948	2,904
Post-employment benefits	2,180	2,773	2,510
Share-based payments	12,373	15,649	29,016
	$ 28,321	$ 30,421	$ 51,283

(1) Balance relates to the special cash distribution effective January 25, 2017.

Key management personnel — stock options

In June 2018, 95,363 SARS were exercised by a member of key management personnel for 39,488 Non-Voting Participating Preferred shares, on a net settlement basis.

During 2018, Telesat issued 3,630,000 time-vesting options to certain key management personnel. Of this balance, 2,850,000 options vest over a five-year period, while 780,000 vest over a three-year period. In addition, 200,000 RSUs were granted during 2018 which vest over a three-year period and are expected to be settled with Non-Voting Participating Preferred shares.

During 2019, Telesat issued 500,000 time-vesting options to certain key management personnel, which vest over a five-year period.

In January 2019, 40,269 SARS were exercised by a member of key management personnel for 14,846 Non-Voting Participating Preferred Shares, on a net settlement basis.

In December 2019, 66,667 RSUs were settled in exchange for 30,980 Non-Voting Participating Preferred Shares, on a net settlement basis.

In December 2020, 66,667 RSUs were settled in exchange for 30,980 Non-Voting Participating Preferred Shares, on a net settlement basis.

In December 2020, Telesat issued 650,000 time-vesting options to certain key management personnel, which vest over a five-year period.

(all amounts in thousands of Canadian dollars, except where otherwise noted)

33. RELATED PARTY TRANSACTIONS – (continued)

Transactions with related parties

The Company and certain of its subsidiaries regularly engage in transactions with related parties. The Company's related parties include Loral and Red Isle. The transactions have been entered into over the normal course of operations. There were no transactions or balances with Red Isle during any of the years presented.

During the years presented below, the Company and its subsidiaries entered into the following transactions with Loral.

	Sale of goods and services, interest income			Purchase of goods and services, interest expense		
Years ended December 31,	**2020**	**2019**	**2018**	**2020**	**2019**	**2018**
Revenue	$ 133	$ 133	$ 128	$ —	$ —	$ —
Operating expenses	$ —	$ —	$ —	$ 6,712	$ 6,645	$ 6,456

The following balances were outstanding with Loral at the end of the years presented below:

	Amounts owed by related parties		Amounts owed to related parties	
At December 31,	**2020**	**2019**	**2020**	**2019**
Current receivables/payables	$ —	$ —	$ 105	$ 204

The amounts outstanding are unsecured and will be settled in cash.

Other related party transactions

The Company funds certain defined benefit pension plans. Contributions made to the plans for the year ended December 31, 2020 were $5.5 million (December 31, 2019 — $5.7 million).

Exhibit 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of March 5, 2021, Loral Space & Communications Inc. ("Loral") has two class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: (i) our common stock and (ii) our preferred stock purchase rights.

DESCRIPTION OF COMMON STOCK

General

The following description of our common stock is only a summary. We encourage you to read our restated certificate of incorporation, which is also filed as an exhibit to our Annual Report on Form 10-K of which this exhibit is a part. We are authorized to issue up to 70,000,000 shares of our common stock, par value $0.01 per share, divided into two series, of which 50,000,000 shares are voting common stock and 20,000,000 shares are non-voting common stock, and up to 10,000,000 shares of our preferred stock, par value $0.01 per share. As of March 5, 2021, we had outstanding 21,427,078 shares of our voting common stock, 9,505,673 shares of our non-voting common stock and five shares of our Series B Preferred Stock, par value $0.01 per share.

Common Stock

Each share of voting common stock and each share of non-voting common stock are identical and are treated equally in all respects, except with respect to voting rights as set forth below. The rights of holders of our voting and non-voting common stock discussed below are subject to the rights that our board of directors may from time to time confer on holders of our preferred stock issued in the future. These rights may adversely affect the rights of holders of our voting common stock, non-voting common stock, or both.

Liquidation Rights

Upon voluntary or involuntary liquidation, dissolution or winding up, the holders of our voting common stock and non-voting common stock, treated as a single class, share ratably in the assets remaining after payments to creditors and provision for the preference of any preferred stock.

Dividends

Except as otherwise provided by the Delaware General Corporation Law ("DGCL") or our restated certificate of incorporation, the holders of our voting common stock and non-voting common stock, subject to preferences and other rights of holders of any series of preferred stock, are entitled to receive dividends when and as declared by our board of directors out of legally available funds. Holders of our voting common stock and non-voting common stock, treated as a single class, are entitled to share ratably in such dividends.

Voting Rights

Except as otherwise provided by the DGCL or our restated certificate of incorporation, each holder of voting common stock is entitled to one vote in respect of each share of voting common stock held of record on all matters submitted to a vote of stockholders. Our restated certificate of incorporation does not permit our stockholders to act by written consent in lieu of a meeting. Except as otherwise provided by the DGCL or our restated certificate of incorporation, holders of non-voting common stock are not entitled to voting rights. Under our restated certificate of incorporation, holders of non-voting common stock may vote as a separate class on amendments to provisions of the restated certificate of incorporation that provide for the equal treatment of the non-voting common stock and the voting common stock.

Classified Board

Our restated certificate of incorporation provides that our board of directors is divided into three classes, which are designated Class I, Class II and Class III. The number of directors in each class is required to be apportioned so as to maintain the classes as nearly equal in number as possible. The members of each class serve for a three-year term, and the terms are staggered so that each year the term of only one class of directors expires.

Miscellaneous

Our voting common stock and non-voting common stock is not convertible into, or exchangeable for, any other class or series of our capital stock and has no sinking fund or redemption provisions. Holders of our voting common stock and non-voting common stock have no preemptive or other rights to subscribe for or purchase additional securities of ours. Shares of our voting common stock and non-voting common stock are not subject to calls or assessments. All of the outstanding shares of our voting common stock and non-voting common stock are fully paid and nonassessable. Holders of our voting common stock do not have cumulative voting rights.

Transfer Agent

The transfer agent and registrar for our voting common stock is Computershare Inc.

NASDAQ Global Select Market

Our voting common stock is listed and traded on the NASDAQ Global Select Market under the symbol "LORL."

Anti-takeover Effects of Our Certificate of Incorporation and Bylaws and Delaware Law

The following paragraphs summarize certain provisions of the DGCL, and our restated certificate of incorporation and amended and restated bylaws. The summary does not purport to be complete and is subject to and qualified in its entirety by reference to the DGCL and to our restated certificate of incorporation and amended and restated bylaws, copies of which are filed as exhibits to our Annual Report on Form 10-K of which this exhibit is a part.

General

Certain provisions of our restated certificate of incorporation and amended and restated bylaws, as summarized below, and applicable provisions of the DGCL could make our acquisition by a third party, a change in our incumbent management or a similar change of control more difficult, including:

- an acquisition of us by means of a tender or exchange offer;
- an acquisition of us by means of a proxy contest or otherwise; or
- the removal of a majority or all of our incumbent officers and directors.

These provisions, which are summarized below, are likely to discourage certain types of coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us first to negotiate with our board of directors. We believe that these provisions help to protect our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us and that this benefit outweighs the potential disadvantages of discouraging such a proposal because our ability to negotiate with the proponent could result in an improvement of the terms of the proposal.

Election and removal of directors

A director, other than a preferred stock director, may be removed from office only for cause and only by the vote of at least two-thirds in voting power of the outstanding stock entitled to vote in an election of directors. In addition, our restated certificate of incorporation provides that, subject to the rights of the holders of shares of any series of preferred stock then outstanding, newly created directorships resulting from an increase in the authorized number of directors or vacancies on the board may be filled only by a majority of the directors then in office (even though less than a quorum is then in office) or by the sole remaining director and any director elected to fill a vacancy may hold office for a term that coincides with the term of the class to which such director was elected.

Stockholder action by written consent

Subject to the rights of holders of any series of preferred stock, any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by any consent in writing in lieu of a meeting.

Stockholder meetings

Under our restated certificate of incorporation and amended and restated bylaws, the chairman of the board of directors, the chief executive officer and president, three or more members of the board of directors or the chief executive officer and president, at the request of a majority of the voting power of the then outstanding shares of capital stock then entitled to vote, may call at any time special meetings of stockholders.

Requirements for advance notification of stockholder nominations and proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals and nomination of candidates for election as directors other than nominations made by or at the direction of our board of directors.

Bylaw amendments

Our amended and restated bylaws may be amended only by our board of directors or upon the vote of holders of at least 80% of the votes entitled to be cast by the outstanding capital stock in the election of our board of directors.

Delaware anti-takeover law

We are subject to Section 203 of the DGCL, an anti-takeover law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a “business combination” with an “interested stockholder” for a period of three years following the date the person became an interested stockholder, unless the “business combination” or the transaction in which the person became an interested stockholder is approved in a prescribed manner. Generally, a “business combination” includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. An “interested stockholder” is defined generally as a person who, together with affiliates and associates, owns or within three years prior to the determination of interested stockholder status, did own, 15% or more of a corporation’s voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors, including discouraging attempts that might result in a premium over the market price for the shares of common stock held by stockholders.

Undesignated preferred stock; prohibition on non-voting capital stock

The authorization of undesignated preferred stock makes it possible for our board of directors to issue stock with voting or other rights or preferences that could impede the success of any attempt to change control of us.

Limitation of Liability and Indemnification

As permitted by the DGCL, our restated certificate of incorporation provides that our directors will not be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- for any breach of the director's duty of loyalty to us or our stockholders;
- for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- under Section 174 of the DGCL, relating to unlawful payment of dividends or unlawful stock purchase or redemption of stock; or
- for any transaction from which the director derives an improper personal benefit.

As a result of this provision, we and our stockholders may be unable to obtain monetary damages from a director for breach of his or her duty of care.

Our restated certificate of incorporation and amended and restated bylaws also provide for the indemnification of our directors and officers to the fullest extent authorized by the DGCL. The indemnification provided under our amended and restated certificate of incorporation and amended and restated bylaws includes the right to be paid certain expenses. These expenses include fees, including attorneys' fees, reasonably incurred in investigating, defending or responding to any civil or criminal action, suit, proceeding or investigation in which one or more of our current or former directors or officers has been named as a defendant, respondent or target, and any related appeal. We will cover these expenses in advance of any proceeding for which indemnification may be payable, provided that the payment of these expenses incurred by a director or officer in advance of the final disposition of a proceeding may be made only upon delivery to us of an undertaking by or on behalf of the director or officer to repay all amounts so paid in advance if it is ultimately determined that the director or officer is not entitled to be indemnified. Such determination will be made without reference to the financial ability of the current or former director or office to make repayment.

Insofar as indemnification for liabilities under the Securities Act of 1933, as amended, may be permitted to our directors, officers or controlling persons pursuant to our restated certificate of incorporation, our amended and restated bylaws and the DGCL, we have been informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Under our restated certificate of incorporation, we have the power to purchase and maintain insurance, at our own expense, on behalf of any person who is or was one of our directors, officers, employees or agents, or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, limited liability company or other business, including any employee benefit plan, against any liability or loss asserted against the person or incurred by the person in any of these capacities, or arising out of the person's status as such, whether or not we would have the power to or are obligated to indemnify such person against such liability or loss. Any indemnification and reimbursement of expenses provided by us will not be available to the extent that indemnification or reimbursement has been received by such person under any applicable policy of insurance or otherwise. We maintain director and officer liability insurance on behalf of our directors and officers.

DESCRIPTION OF PREFERRED STOCK PURCHASE RIGHTS

On November 23, 2020, the board of directors of Loral declared a dividend of one preferred share purchase right (a "Right") for each share of Loral voting and non-voting common stock, par value $0.01 per share (referred to for purposes of this section, the "Common Shares"), outstanding on December 4, 2020 (the "Record Date") to the Loral stockholders of record on that date. Each Right entitles the registered holder to purchase from Loral one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value $0.01 per share (the "Series A Preferred Shares"), of Loral, having such rights and preferences as are set forth in the Certificate of Designation of Series A Junior Participating Preferred Stock (the "Series A Certificate of Designation"), at a price of $120.48 per one one-thousandth of a Series A Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (as it may be amended from time to time, the "Rights Agreement") between Loral and Computershare Trust Company, N.A., a federally chartered trust company, as Rights Agent.

On November 24, 2020, Loral filed the Series A Certificate of Designations with the Secretary of State of the State of Delaware to establish the preferences, limitations and relative rights of the Series A Preferred Stock.

Until the earlier to occur of (i) ten days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") has acquired Beneficial Ownership (as defined in the Rights Agreement) of 15% or more of the outstanding Voting Common Shares (as defined in the Rights Agreement) not held by MHR Fund Management LLC (together with its affiliates that hold Common Shares, "MHR") or any party to the Transaction Agreement and Plan of Merger dated as of November 23, 2020 (as it may be amended from time to time, the "Transaction Agreement") among Loral, Telesat Canada, a Canadian corporation, Telesat Partnership LP, a limited partnership formed under the laws of Ontario, Canada ("Telesat Partnership"), Telesat Corporation, a newly formed corporation incorporated under the laws of the Province of British Columbia, Canada and the sole general partner of Telesat Partnership, Telesat CanHold Corporation, a corporation incorporated under the laws of British Columbia, Canada and wholly owned subsidiary of Telesat Partnership, Lion Combination Sub Corporation, a Delaware corporation and wholly owned subsidiary of Loral, Public Sector Pension Investment Board, a Canadian Crown corporation ("PSP Investments"), and Red Isle Private Investments Inc., a Canadian corporation and wholly owned subsidiary of PSP Investments (the "Unaffiliated Shares") (or, in the event the board of directors of Loral determines on or before such tenth day to effect an exchange of Rights for shares of voting common stock (as discussed below) and determines that a later date is advisable, such later date that is not more than 20 days following such a public announcement) or (ii) ten business days (or such later date as may be determined by action of the board of directors of Loral prior to such time as any Person (as defined in the Rights Agreement) becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the Beneficial Ownership by a Person (or a voting group of Persons) of 15% or more of the outstanding Unaffiliated Shares (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with a copy of a Summary of Rights substantially identical to the description herein attached thereto (or, in the case of uncertificated Common Shares reflected in the book-entry account system of the transfer agent for the Common Shares, by the notations in the book entry account). If a stockholder's Beneficial Ownership of the outstanding Voting Common Shares as of the time of the public announcement of the Rights Agreement and Rights dividend declaration is at or above the applicable threshold (including through entry into certain derivative positions), that stockholder's then-existing ownership percentage would be grandfathered, but the rights would become exercisable if at any time after such announcement, the stockholder increases its ownership percentage of Unaffiliated Shares by 0.001% or more. In no event will MHR, any party to the Transaction Agreement or any of their respective affiliates be deemed to Beneficially Own any Unaffiliated Shares (including, for the avoidance of doubt, in respect of any Voting Common Shares acquired by any such party after the date hereof) or to be an Acquiring Person.

The Rights Agreement provides that, until the Distribution Date, the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date or upon transfer or new issuance of Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of a Summary of Rights substantially identical to the description herein attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (“Right Certificates”) will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on the first to occur of: (a) a majority of holders of Unaffiliated Shares approving the merger as contemplated by the Transaction Agreement, (b) the termination of the Transaction Agreement in accordance with its terms and (c) November 22, 2021, unless the Rights are earlier redeemed by Loral as described below.

The Purchase Price payable, and the number of Series A Preferred Shares or other securities or property issuable, upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Series A Preferred Shares, (ii) upon the grant to holders of the Series A Preferred Shares of certain rights or warrants to subscribe for or purchase Series A Preferred Shares at a price, or securities convertible into Series A Preferred Shares with a conversion price, less than the then current market price of the Series A Preferred Shares or (iii) upon the distribution to holders of the Series A Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Series A Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-thousandths of a Series A Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date.

Series A Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Series A Preferred Share will be entitled to a quarterly dividend payment of 1,000 times the dividend declared per Common Share. In the event of liquidation, the holders of the Series A Preferred Shares will be entitled to an aggregate payment of 1,000 times the aggregate payment made per Common Share. Each Series A Preferred Share will have 1,000 votes, voting together with the Common Shares. In the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Series A Preferred Share will be entitled to receive 1,000 times the amount received per Common Share. These rights are protected by customary anti-dilution provisions.

Because of the nature of the Series A Preferred Shares’ dividend, liquidation and voting rights, the value of the one one-thousandth interest in a Series A Preferred Share purchasable upon exercise of each Right should approximate the value of one Common Share.

From and after the time any Person becomes an Acquiring Person, if the Rights evidenced by a Right Certificate are or were at any time on or after the earlier of (x) the date of such event and (y) the Distribution Date acquired or Beneficially Owned by an Acquiring Person or an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement), such Rights shall become void, and any holder of such Rights shall thereafter have no right to exercise such Rights.

In the event that, at any time after a Person becomes an Acquiring Person, Loral is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right. In the event that any person becomes an Acquiring Person, proper provision shall be made so that each holder of a Right, other than Rights Beneficially Owned by the Acquiring Person and its Affiliates and Associates (which will thereafter be void), will thereafter have the right to receive upon exercise that number of Voting Common Shares having a market value of two times the exercise price of the Right. If Loral does not have sufficient Voting Common Shares to satisfy such obligation to issue Voting Common Shares, or if the board of directors of Loral so elects, Loral shall deliver upon payment of the exercise price of a Right an amount of cash or securities equivalent in value to the Voting Common Shares issuable upon exercise of a Right; *provided* that, if Loral fails to meet such obligation within 30 days following the date a Person becomes an Acquiring Person, Loral must deliver, upon exercise of a

Right but without requiring payment of the exercise price then in effect, Voting Common Shares (to the extent available) and cash equal in value to the difference between the value of the Voting Common Shares otherwise issuable upon the exercise of a Right and the exercise price then in effect. The board of directors of Loral may extend the 30-day period described above for up to an additional 90 days to permit the taking of action that may be necessary to authorize sufficient additional Voting Common Shares to permit the issuance of Voting Common Shares upon the exercise in full of the Rights.

At any time after any Person becomes an Acquiring Person and prior to the acquisition by any person or group of a majority of the outstanding Voting Common Shares, the board of directors may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one Voting Common Share per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Series A Preferred Shares will be issued (other than fractions which are integral multiples of one one-thousandth of a Series A Preferred Share, which may, at the election of Loral, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Series A Preferred Shares on the last trading day prior to the date of exercise.

At any time prior to ten days following the date on which any Person becomes an Acquiring Person, the board of directors of Loral may redeem the Rights in whole, but not in part, at a price of $0.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time, on such basis and with such conditions as the board of directors of Loral in its sole discretion may establish. Immediately upon any redemption of the Rights, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by the board of directors of Loral without the consent of the holders of the Rights, except that from and after such time as any person becomes an Acquiring Person no such amendment may adversely affect the interests of the holders of the Rights (other than the Acquiring Person and its Affiliates and Associates).

Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of Loral, including, without limitation, the right to vote or to receive dividends.

The foregoing description of the Series A Certificate of Designation, the Rights Agreement, the Rights and the rights, powers, preferences and other terms of the Series A Preferred Shares is not complete and is qualified in its entirety by reference to the complete text of the Series A Certificate of Designation and the Rights Agreement, as each may be amended from time to time, which are filed as Exhibits 3.2 and 4.2, respectively, hereto and each exhibit is incorporated herein by reference.

Exhibit 21.1

LORAL SPACE & COMMUNICATIONS INC.

SIGNIFICANT SUBSIDIARIES

The active subsidiaries owned directly or indirectly by Loral Space & Communications Inc. as of March 5, 2021, all 100%, consist of the following:

Loral Skynet Corporation	Delaware
Loral Satmex LLC	Delaware
Loral Holdings LLC	Delaware
Loral Global Services N.V.	Netherlands Antilles
Loral Holdings Corporation	Delaware
4440480 Canada Inc.	Canada
4440498 Canada Inc.	Canada
Lion Combination Sub Corporation	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-132795 and 333-143274 on Form S-8 and Registration Statement Nos. 333-159656 and 333-138652 on Form S-3 of our reports dated March 8, 2021, relating to the consolidated financial statements of Loral Space & Communications Inc. and subsidiaries and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Loral Space & Communications Inc., for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP

New York, New York
March 8, 2021

Exhibit 23.2

Deloitte.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-132795 and 333-143274 on Form S-8 and Registration Statement Nos. 333-159656 and 333-138652 on Form S-3 of our report dated March 3, 2021, relating to the consolidated financial statements of Telesat Canada appearing in this Annual Report on Form 10-K of Loral Space & Communications Inc. for the year ended December 31, 2020.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 8, 2021

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Avi Katz, certify that:

1. I have reviewed this Annual Report on Form 10-K of Loral Space & Communications Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ AVI KATZ

Avi Katz
President, General Counsel & Secretary

March 8, 2021

Exhibit 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Capogrossi, certify that:

1. I have reviewed this Annual Report on Form 10-K of Loral Space & Communications Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN CAPOGROSSI

John Capogrossi
Vice President, Chief Financial Officer and Treasurer

March 8, 2021

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Loral Space & Communications Inc. (the “Company”) on Form 10-K for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Avi Katz, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ AVI KATZ
Avi Katz
President, General Counsel & Secretary

March 8, 2021

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Loral Space & Communications Inc. (the "Company") on Form 10-K for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Capogrossi, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN CAPOGROSSI
John Capogrossi
Vice President, Chief Financial Officer and Treasurer

March 8, 2021

EXHIBIT 99.19

TELESAT PARTNERSHIP LP

AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

BETWEEN

TELESAT CORPORATION

- and -

Henry Intven

- and -

RED ISLE PRIVATE INVESTMENTS INC.

- and -

PUBLIC SECTOR PENSION INVESTMENT BOARD

- and –

John Cashman

- and -

Colin Watson

- and -

EACH PERSON WHO IS ADMITTED TO THE PARTNERSHIP AS A LIMITED PARTNER IN ACCORDANCE WITH THE TERMS OF THIS AGREEMENT

[●], 20[●]

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AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

This AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT (including all exhibits and attachments hereto, the "**Agreement**") is entered into as of 9:00 am on the First Closing Day between Telesat Corporation, a corporation existing under the Laws of British Columbia, in its own capacity and as General Partner ("**TopCo**", together with any Person who is admitted to the Partnership as a successor to or permitted assign of the General Partner in accordance with this Agreement, the "**General Partner**"), Mr. Henry Intven (the "**Initial Limited Partner**"), Red Isle Private Investments Inc., a corporation incorporated under the Laws of Canada ("**Rover**"), Mr. John Cashman ("**Cashman**"), Mr. John Watson ("**Watson**") and each other person who is admitted to the Partnership as a limited partner in accordance with the provisions of this Agreement, including each Leo Electing Stockholder (as hereinafter defined) (together with the Initial Limited Partner, Rover, Cashman and Watson, the "**Limited Partners**") and, solely for purposes of Section 3.21, Public Sector Pension Investment Board, a Canadian Crown corporation formed under the Laws of Canada ("**Polaris**").

WHEREAS the General Partner and the Initial Limited Partner entered into a limited partnership agreement on November 12, 2020 (the "**Original Limited Partnership Agreement**") to form a limited partnership by the name of "Telesat Partnership LP" under the Laws of the Province of Ontario (the "**Partnership**");

WHEREAS the Partnership was registered as a limited partnership by the filing of the Declaration of Limited Partnership on November 12, 2020;

WHEREAS the Partnership was formed to give effect to the business of the Partnership as described in Section 2.2;

WHEREAS the Partnership entered into that certain Transaction Agreement and Plan of Merger with Telesat Canada, a corporation incorporated under the laws of Canada ("**Transit**"), TopCo, the Partnership, Telesat CanHold Corporation, a corporation incorporated under the laws of British Columbia and a wholly-owned subsidiary of the Partnership ("**CanHoldco**"), Loral Space & Communications Inc., a Delaware corporation ("**Leo**"), Lion Combination Sub Corporation, a Delaware corporation and a wholly-owned subsidiary of Leo, Polaris and Rover on November [23], 2020 (the "**Transaction Agreement**");

WHEREAS pursuant to the Transaction Agreement and the other agreements contemplated thereby, Merger Sub will merge with and into Leo (the "**Merger**") with Leo surviving as a wholly-owned subsidiary of the Partnership, and with Leo Electing Stockholders receiving Exchangeable Units and with other stockholders of Leo (other than the Partnership) receiving TopCo Shares, by completing the steps described in the Recitals set out below, at the times and in the order set out therein;

WHEREAS pursuant to the Transaction Agreement and the other agreements contemplated thereby, the Partnership will complete the transactions set forth in Section 2.1(a) of the Transaction Agreement to which it is a party on the First Closing Day in the order set out in the Transaction Agreement;

WHEREAS each Leo Electing Stockholder will appoint TopCo as such Leo Electing Stockholder's attorney to execute and deliver this Agreement on such Leo Electing Stockholder's behalf;

WHEREAS pursuant to the Transaction Agreement and the other agreements contemplated thereby, the Partnership will complete the following transactions affecting its capital on the Second Closing Day (as hereinafter defined) at the effective time of the Merger (the "**Merger Effective Time**"):

(a) The Partnership will deliver Exchangeable Units to Leo Electing Stockholders;

(b) The Partnership will issue additional GP Units to Topco in consideration of the issuance of TopCo Shares by TopCo in the Merger to stockholders of Leo other than Leo Electing Stockholders and the Partnership; and

(c) The Partnership will redeem the Class X Units held by each of the Voting Directors and the Initial Limited Partner;

WHEREAS immediately following the Merger Effective Time, the issued capital of the Partnership shall consist of the GP Units held by the General Partner and the Exchangeable Units held by Rover and the Leo Electing Stockholders; and

WHEREAS Topco, the Initial Limited Partner, Rover, Cashman and Watson wish to enter into this Agreement to amend and restate the Original Limited Partnership Agreement in its entirety in order to provide for the Integration (as hereinafter defined) and to set out the terms and conditions applicable to the relationship among the Partners and to the conduct of the business of the Partnership upon completion of the Merger.

NOW THEREFORE THIS AGREEMENT WITNESSES THAT IN CONSIDERATION of the respective covenants and agreements contained in this Agreement and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each party), the Partners agree with each other as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, the following words have the following meanings:

"**Act**" means the *Limited Partnerships Act* (Ontario);

"**Adjusted Capital Account**" means the Capital Account maintained for each Partner as of the end of each Fiscal Year of the Partnership (or other taxable period), (a) increased by any amounts that such Partner is obligated to restore under the standards set forth in U.S. Treasury Regulations Section 1.704-1(b)(2)(ii)(c) (or is deemed obligated to restore under the penultimate sentences of U.S. Treasury Regulations Sections 1.704-2(g) and 1.704-2(i)(5), respectively) and (b) decreased by (i) the amount of all losses and deductions that, as of the end of such Fiscal Year (or such taxable period), are reasonably expected to be allocated to such Partner in subsequent years under Sections 704(e)(2) and 706(d) of the Code and U.S. Treasury Regulations Section 1.751-1(b)(2)(ii), and (ii) the amount of all distributions that, as of the end of such Fiscal Year (or such taxable period), are reasonably expected to be made to such Partner in subsequent years in accordance with the terms of this Agreement or otherwise to the extent they exceed offsetting increases to such Partner's Capital Account that are reasonably expected to occur during (or prior to) the year in which such distributions are reasonably expected to be made (other than increases as a result of a minimum gain chargeback pursuant to Section 5.1(b)(i) or Section 5.1(b)(ii)). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of U.S. Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith. The "**Adjusted Capital Account**" of a Partner in respect of a Unit shall be the amount that such Adjusted Capital Account would be if such Unit were the only interest in the Partnership held by such Partner from and after the date on which such Unit was first issued;

"**Affiliate**" means "affiliate" as defined in Rule 405 promulgated under the Securities Act of 1933, as amended; provided that, notwithstanding anything to the contrary, for purposes of this Agreement, (a) none of Topco, the Partnership or their respective Subsidiaries is an "Affiliate" of any of Meteor, Polaris, or Rover, (b) none of Meteor, Polaris or Rover is an "Affiliate" of any of Topco, the Partnership or their respective Subsidiaries, and (c) no portfolio company of (i) any investment vehicle or (ii) any holding company that, in each case, is directly or indirectly managed or controlled by Polaris, or Meteor or its Affiliates, as the case may be, is an "Affiliate" of Polaris, Rover or Meteor, unless and to the extent such portfolio company is acting at the direction of the applicable Person (it being understood, however, that each of Polaris and Rover is an "Affiliate" of the other);

"**Agreement**" has the meaning set out in the Preamble;

"**Associate**" where used to indicate a relationship with any Person has the same meaning as in the *Securities Act* (Ontario);

"**Assumed Tax Liability**" means, with respect to each Partner as of any taxable year, such Partner's pro rata portion, based on its Percentage Interest divided by the Percentage Interest of all Partners other than TopCo, of the product of (a) income or gain, as determined under U.S. federal income tax principles (other than allocations pursuant to Section 704(c) of the Code) allocated by the Partnership to all Partners other than TopCo in such taxable year and all prior taxable years less any deduction or loss, as determined under U.S. federal income tax principles, allocated by the Partnership to such Partners (other than TopCo) in such taxable year and all prior taxable years, <u>multiplied, for each relevant taxable year in which there is net income, by</u> (b) the highest applicable U.S. federal, state and local income tax rate for such taxable year (including for the avoidance of doubt, the tax rate imposed on "net investment income" by Section 1411 of the Code) applicable to an individual resident in New York, New York applicable to the character of U.S. federal taxable income or loss allocated by the Partnership to such Partners (e.g., capital gains or losses, dividends, ordinary income, etc.) at any time during the taxable Year;

"**Auditor**" means [●], or any other member in good standing of CPA Canada who is appointed as auditor of the Partnership by the General Partner;

"**BCBA**" means the *Business Corporations Act* (British Columbia);

"**Beneficial Ownership**" and "**beneficially own**" and similar terms have the meaning set forth in Rule 13d-3 under the Securities Exchange Act.

"**Business Day**" means any day other than a Saturday, a Sunday, a day on which banking institutions in the City of Montréal are authorized or required by law to be closed or a day on which the New York Stock Exchange, the NASDAQ Stock Market or the Toronto Stock Exchange is closed for trading;

"**Canadian Securities Authorities**" means the securities commissions and similar regulatory authorities in all of the provinces and territories in Canada;

"**CanHoldco**" means Telesat CanHold Corporation, a corporation incorporated by the Partnership under the Laws of British Columbia;

"**Capital Account**" has the meaning set out in Section 4.3(a);

"**Capital Contribution**" of a Partner means the total amount of cash and the Carrying Value of any property contributed, including any property deemed to be contributed, to the Partnership by that Partner (or such Partner's predecessor in interest) in respect of Units held, purchased or issued to such Partner; provided, that, in the case of the Units issued pursuant to the Integration, the amount of the contribution to the Partnership in respect of the issuance of such Unit shall be the amount determined in accordance with Section 4.2;

"**Carrying Value**" means with respect to any Property of the Partnership (other than money), such Property's adjusted basis for U.S. federal income tax purposes, except as follows:

(a) The initial Carrying Value of any Property contributed by a Partner to the Partnership shall be the gross fair market value of such Property, as reasonably determined by the General Partner;

(b) The Carrying Values of all such Properties shall be adjusted to equal their respective gross fair market values (in accordance with the rules set forth in U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(f) and taking Section 7701(g) of the Code into account), as reasonably determined by the General Partner, at the time of any Revaluation pursuant to Section 4.3(c);

(c) The Carrying Value of any Property distributed to any Partner shall be adjusted immediately prior to such distribution to equal the gross fair market value (without regard to Section 7701(g) of the Code) of such Property on the date of distribution as reasonably determined by the General Partner;

(d) The Carrying Values of any such Property shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such Property pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and subparagraph (f) of the definition of

"Net Income" and "Net Loss" or Section 5.1(b)(viii); provided, however, that Carrying Values shall not be adjusted pursuant to this subparagraph (d) to the extent that an adjustment pursuant to subparagraph (b) above is made in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (d); and

(e) If the Carrying Value of any such Property has been determined or adjusted pursuant to subparagraph (a), (b) or (d) above, such Carrying Value shall thereafter be adjusted by the Depreciation taken into account with respect to such Property for purposes of computing Net Income and Net Loss;

Notwithstanding the foregoing, the initial Carrying Values of Leo shares and Transit shares acquired by the Partnership pursuant to the Integration shall be determined in accordance with the per share values set forth in Section 4.2;

"**Cashman**" has the meaning set out in the Preamble;

"**Class A Exchangeable Units**" has the meaning set out in Section 3.1;

"**Class A Special Voting Share**" means the Class A special voting share in the capital of TopCo;

"**Class B Exchangeable Units**" has the meaning set out in Section 3.1;

"**Class B Special Voting Share**" means the Class B special voting share in the capital of TopCo;

"**Class C Exchangeable Units**" has the meaning set out in Section 3.1;

"**Class C Special Voting Share**" means the Class C special voting share in the capital of TopCo;

"**Class D Units**" has the meaning set out in Section 3.1;

"**Class X Units**" means the Class X limited partnership units in the capital of the Partnership, which have the attributes provided in Section 3.25;

"**Code**" means the United States Internal Revenue Code of 1986;

"**Combination**" means any combination of shares or units, as the case may be, by reverse split, reclassification, recapitalization or otherwise;

"**Confirmation**" has the meaning set out in Section 3.13(i);

"**CPOA**" has the meaning set out in Section 2.7(f);

"**Declaration**" has the meaning set out in Section 3.13(d);

"**Declaration of Limited Partnership**" means the declaration of limited partnership for the Partnership filed under the Act on November 12, 2020 and all amendments to the declaration and renewals or replacements of the declaration;

"**Departing Partner**" means any former General Partner;

"**Depreciation**" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for U.S. federal income tax purposes for such Fiscal Year or other period, except that if the Carrying Value of an asset differs from its adjusted basis for U.S. federal income tax purposes at the beginning of such Fiscal Year or other period, Depreciation shall be an amount that bears the same ratio to such beginning Carrying Value as the U.S. federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for U.S. federal income tax purposes of an asset at the beginning of such Fiscal Year or other period is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected by the General Partner;

"**Economic Risk of Loss**" has the meaning set forth in U.S. Treasury Regulations Section 1.752-2(a);

"**Entity**" means any of a partnership, limited partnership, limited liability company, joint venture, company or corporation with share capital, unincorporated association, or trust;

"**Exchange Notice**" has the meaning set out in Section 3.1 of Schedule A;

"**Exchange Right**" has the meaning set out in Section 2.1(a) of Schedule A;

"**Exchangeable Holder**" means a registered holder of Exchangeable Units;

"**Exchangeable Units**" has the meaning set out in Section 3.1;

"**Exchanged Shares**" has the meaning set out in ARTICLE 1 of Schedule A;

"**First Closing Day**" has the meaning set out in the Transaction Agreement;

"**Fiscal Year**" has the meaning set out in Section 2.4;

"**General Partner**" has the meaning set out in the Preamble;

"**Golden Share**" means the golden share without par value in the capital of TopCo;

"**Governmental Authority**" means any (i) international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, agency or instrumentality, domestic or foreign, (ii) self-regulatory organization or stock exchange, (iii) subdivision, agent, commission, board, or authority of any of the foregoing, or (iv) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

"**GP Duties**" has the meaning set out in Section 7.6(b);

"**GP Units**" has the meaning set out in Section 3.1;

"**Group Member**" means a member of the Partnership Group;

"**holder**" means, when used with reference to Units, a holder of Units as shown from time to time in the Record;

"**Indemnitee**" has the meaning set out in Section 7.8(a);

"**Initial Limited Partner**" has the meaning set out in the Preamble;

"**Integration**" means the transactions contemplated by Article II of the Transaction Agreement (including, for the avoidance of doubt, the Merger);

"**Investor Rights Agreements**" means (i) that certain Investor Rights Agreement, dated as of November [23], 2020, by and between TopCo and Polaris and (ii) that certain Investor Rights Agreement, dated as of November [23], 2020, by and between TopCo and Meteor, collectively, in each case, as from time to time amended;

"**Laws**" means any and all applicable (i) laws, constitutions, treaties, statutes, codes, ordinances, principles of common and civil law and equity, rules, regulations and municipal by-laws, whether domestic, foreign or international, (ii) judicial, arbitral, administrative, ministerial, departmental and regulatory judgements, orders, writs, injunctions, decisions, and awards of any Governmental Authority, and (iii) policies, practices and guidelines of any Governmental Authority which, although not actually having the force of law, are considered by such Governmental Authority as requiring compliance as if having the force of law, and the term "applicable", with respect to such Laws and in the context that refers to one or more Persons, means such Laws that apply to such Person or Persons or its or their business, undertaking, property or securities at the relevant time and that emanate from a Governmental Authority having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

"**Legal Rights**" means the rights of a Person under the applicable Laws;

"**Leo**" has the meaning set out in the Recitals;

"**Leo Electing Stockholder**" means a former stockholder of Leo that validly elects to receive Exchangeable Units on the Merger and appoints TopCo as its attorney to execute this Agreement;

"**Limited Partner**" has the meaning set out in the Preamble, provided, however, that a transferee of Partnership Interests that is not a permitted transferee of a Limited Partner as described in Section 3.13(g) shall not be treated as a Limited Partner;

"**Merger**" has the meaning set out in the Recitals;

"**Merger Effective Time**" has the meaning set out in the Recitals;

"**Meteor**" means MHR Fund Management LLC;

“**Meteor Entity**” means any entity through which a Meteor Fund beneficially owns any Units;

“**Meteor Fund**” means a pooled investment vehicle managed by Meteor or any of its Affiliates;

“**Meteor Limited Partner**” means the Leo Electing Stockholders affiliated with Meteor admitted to the Partnership as limited partners in accordance with the provisions of this Agreement;

“**National Securities Exchange**” means (i) an exchange registered with the U.S. Securities and Exchange Commission under Section 6(a) of the Securities Exchange Act or the Toronto Stock Exchange or any successor thereto, and (ii) any other securities exchange (whether or not registered with the U.S. Securities and Exchange Commission under Section 6(a) of the Securities Exchange Act) that the General Partner in its sole discretion shall designate as a National Securities Exchange for purposes of this Agreement;

“**Net Cumulative Taxable Income**” means, with respect to a Partner, the amount of taxable income or gain as determined under U.S. federal income tax principles (other than allocations pursuant to Section 704(c) of the Code) allocated by the Partnership to such Partner in such taxable year and all prior taxable years less any deduction or loss, as determined under U.S. federal income tax principles, allocated by the Partnership to such Partner in such taxable year and all prior taxable years;

“**Net Income**” and “**Net Loss**” mean, for U.S. federal income tax purposes, for each Fiscal Year or other period, an amount equal to the Partnership’s taxable income or loss for such Fiscal Year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments (without duplication):

(a) Any income of the Partnership that is exempt from U.S. federal income tax and not otherwise taken into account in computing Net Income or Net Loss pursuant to this definition of “Net Income” and “Net Loss” shall be added to such taxable income or loss;

(b) Any expenditures of the Partnership described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) of the Code expenditures pursuant to U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income and Net Loss pursuant to this definition of “Net Income” and “Net Loss,” shall be subtracted from such taxable income or loss;

(c) In the event the Carrying Value of any Property of the Partnership is adjusted pursuant to subparagraphs (b) or (c) of the definition of “Carrying Value”, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Carrying Value of the asset) or an item of loss (if the adjustment decreases the Carrying Value of the asset) from the disposition of such asset and shall be taken into account, immediately prior to the event giving rise to such adjustment, for purposes of computing Net Income and/or Net Loss;

(d) Gain or loss resulting from any disposition of any Property of the Partnership with respect to which gain or loss is recognized for U.S. federal income tax purposes shall be computed by reference to the Carrying Value of the Property disposed of, notwithstanding that the adjusted tax basis of such Property differs from its Carrying Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition of Depreciation;

(f) To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) of the Code is required, pursuant to U.S. Treasury Regulations Section 1.704-(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset and shall be taken into account, immediately prior to the event giving rise to such adjustment, for purposes of computing Net Income or Net Loss; and

(g) Notwithstanding any other provision of this definition, any items that are specially allocated pursuant to Section 5.2(b) shall not be taken into account in computing Net Income and Net Loss;

The amounts of the items of Partnership income, gain, loss, or deduction available to be specially allocated pursuant to Section 5.1(b) shall be determined by applying rules analogous to those set forth in subparagraphs (a) through (g) above;

"**New Shares**" has the meaning given to it in Section 3.4(b)(ii);

"**New Units**" has the meaning given to it in Section 3.4(b)(ii);

"**Nonrecourse Deductions**" has the meaning set forth in U.S. Treasury Regulations Section 1.704-2(b)(1) and 1.704-2(c);

"**Nonrecourse Liability**" has the meaning set forth in U.S. Treasury Regulations Section 1.752-1(a)(2) and 1.704-2(b)(3);

"**Ordinary Resolution**" means:

(a) a resolution approved by more than 50% of the votes cast in person or by proxy at a duly constituted meeting of Partners holding Exchangeable Units entitled to vote thereon (excluding Exchangeable Units held by the General Partner and its Subsidiaries) or at any adjournment of that meeting, called in accordance with this Agreement; or

(b) a written resolution in one or more counterparts signed by Partners holding in the aggregate more than 50% of the aggregate number of Exchangeable Units entitled to vote thereon (excluding Exchangeable Units held by the General Partner and its Subsidiaries) at the time of such written resolution;

"**Original Limited Partnership Agreement**" has the meaning given to it in the Recitals;

"**Outstanding**" means, with respect to Partnership Interests, all Partnership Interests that are issued by the Partnership and reflected as outstanding on the Partnership's books and records as of the date of determination;

"**Partially Adjusted Capital Account**" means, with respect to any Partner and any Fiscal Year, the Capital Account of such Partner at the beginning of such Fiscal Year, adjusted as set forth in Section 4.3 hereof for all contributions and distributions during such year and all Required Allocations with respect to such Fiscal Year, but before giving effect to any allocation of Net Income and Net Loss for such Fiscal Year pursuant to Section 5.1 hereof;

"**Partner Nonrecourse Debt**" has the meaning set forth in U.S. Treasury Regulations Section 1.704-2(b)(4);

"**Partner Nonrecourse Debt Minimum Gain**" has the meaning set forth in U.S. Treasury Regulations Section 1.704-2(i)(2);

"**Partner Nonrecourse Deductions**" has the meaning set forth in U.S. Treasury Regulations Sections 1.704-2(i)(1) and 1.704-2(i)(2);

"**Partners**" means, collectively, the General Partner and the Limited Partners and "**Partner**" means any one of them;

"**Partnership**" has the meaning given to it in the Recitals;

"**Partnership Group**" means the Partnership and its Subsidiaries treated as a single consolidated entity;

"**Partnership Interest**" means any interest of a Partner in the Partnership represented by Units and the rights of such Partner to any and all benefits to which such Partner may be entitled as provided in the Act or this Agreement together with the obligations of such Partner to comply with all terms and provisions of this Agreement and the Act;

"**Partnership Minimum Gain**" has the meaning set forth in U.S. Treasury Regulations Section 1.704-2(b)(2) and 1.704-2(d). A Partner's share of Partnership Minimum Gain shall be computed in accordance with the provisions of U.S. Treasury Regulations Section 1.704-2(g);

"**Partnership Representative**" shall have the meaning set forth in Section 9.3(b) hereof;

"**Percentage Interest**" means, as of any time of determination, (i) as to any Exchangeable Units held by a Partner, the product obtained by multiplying (a) 100% by (b) the quotient obtained by dividing (w) the number of such Exchangeable Units held by that Partner by (x) the Total Base, and (ii) as to the GP Units held by the General Partner, the product obtained by multiplying (a) 100% by (b) the quotient obtained by dividing (y) the number of outstanding TopCo Shares by (z) the Total Base;

"**Person**" means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation or other Entity with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, regulatory body or agency, government or governmental agency, authority or entity however designated or constituted;

"**Polaris**" has the meaning set out in the Preamble;

"**Property**" means an interest of any kind in any real, personal or intellectual (or mixed) property, including cash, and any improvements thereto, and shall include both tangible and intangible property;

"**Qualified Canadians**" has the same meaning as given to the term "Canadian" in the *Investment Canada Act*;

"**Record**" means the current record of the Partners required by the Act and this Agreement to be kept by the General Partner;

"**Record Holder**" means, as of any particular Business Day, the Person in whose name a Unit is registered on the books of the Registrar and Transfer Agent as of the opening of business on such Business Day, or with respect to other Partnership Interests, the Person in whose name any such other Partnership Interest is registered on the books which the General Partner has caused to be kept as of the opening of business on such Business Day;

"**Registrar and Transfer Agent**" means the registrar and transfer agent of the Units appointed from time to time by the General Partner, which will initially be Computershare Trust Company of Canada, or, if no registrar and transfer agent is appointed, the General Partner;

"**Registration Rights Agreement**" means that certain Registration Rights Agreement, dated as of the date hereof, by and between TopCo, Polaris and Meteor;

"**Representatives**" means, with respect to any Person, each of its directors, officers, employees, members, partners, consultants, accountants, legal counsel, investment bankers and other advisors, agents or other representatives;

"**Required Allocations**" means any allocation of an item of income, gain, loss or deduction pursuant to Section 5.1(b), with the exception of clause (ix) thereof;

"**Revaluation**" has the meaning set out in Section 4.3(c);

"**Rover**" has the meaning set out in the Preamble;

"**securities**" has the same meaning as in the *Securities Act* (Ontario);

"**Securities Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

"**Special Approval**" means approval by either (a) the vote of a majority of the members of the board of directors of TopCo (or a committee of the board of directors of TopCo to which such matter has been delegated), which majority shall include a majority of the Specially Designated Directors then in office (or on such committee), or (b) the vote of a majority of the voting power of the Exchangeable Units (excluding Units owned by the General Partner and its Subsidiaries), which majority vote shall include the vote of a majority of the voting power of the Exchangeable Units beneficially owned by persons other than Rover, any Meteor Entity or any of their respective Affiliates or Associates;

"**Special Voting Shares**" means, collectively, the Class A Special Voting Share, the Class B Special Voting Share and the Class C Special Voting Share;

"**Specially Designated Directors**" has the meaning set out in the TopCo Articles;

"**Subdivision**" means any subdivision of shares or units, as the case may be, by any split, dividend, distribution, reclassification, recapitalization or otherwise;

"**Subsidiary**" means any Entity or other Person of which the relevant party (either alone or through or together with any other Subsidiary) owns, directly or indirectly, more than 50% of the outstanding voting securities or equity interests having the power to vote for the election of the board of directors or other governing board of such Person or with respect to which the relevant party (either alone or through or together with any other Subsidiary) otherwise has the power to direct or control the management and policies of such Person, by contract or otherwise;

"**Tabulation Agent**" means a Person designated by the General Partner, in writing, as its agent to perform the administrative tasks of (1) collecting and tabulating instructions from the holders of Exchangeable Units for the purpose of instructing the Trustee as to the exercise of the Voting Rights with respect to the Special Voting Shares pursuant to the terms of this Agreement, the TopCo Articles and the Voting Agreement, and (2) collecting and tabulating the votes of the TopCo Shares and/or instructions from the holders of Exchangeable Units pursuant to the terms of this Agreement for the purpose of instructing the Trustee as to the exercise of the voting rights attached to the Golden Share pursuant to the terms of the TopCo Articles and the Voting Agreement. For the avoidance of doubt, the General Partner shall retain liability as principal for the acts of the Tabulation Agent;

"**Target Capital Account**" means, with respect to any Partner for any Fiscal Year, an amount (which may be either a positive or negative balance) equal to the hypothetical distribution (as described in the next paragraph) such Partner would receive, minus the Partner's share of partnership minimum gain determined pursuant to U.S. Treasury Regulations Section 1.704-2(g), and minus the Partner's share of partner nonrecourse debt minimum gain determined in accordance with U.S. Treasury Regulations Section 1.704-2(i)(5), all computed immediately prior to the following hypothetical sale:

The hypothetical distribution to a Partner is equal to the amount that would be received by such Partner if all Partnership assets were sold for cash equal to their Carrying Values, all Partnership liabilities were satisfied to the extent required by their terms (limited, with respect to each Nonrecourse Liability or partner nonrecourse debt, to the Carrying Value of the assets securing each such liability), and the net assets of the Partnership were distributed in full to the Partners pursuant to Section 13.3(c), all as of the last day of such Fiscal Year;

"**Tax Act**" means the *Income Tax Act* (Canada);

"**Tax Distribution Date**" means any date that is five Business Days prior to (i) the date on which quarterly estimated income tax payments are required to be made by calendar year individual taxpayers in the U.S. and (ii) each due date for the income tax return of an individual calendar year taxpayer (without regard to extensions) in the U.S.;

"**TopCo**" has the meaning set out in the Preamble;

"**TopCo Articles**" means the Articles of TopCo dated the date hereof, and as may be amended subsequent to the date hereof in accordance with the terms hereof and thereof;

"**TopCo Class A Shares**" means the Class A common shares in the capital of TopCo;

"**TopCo Class B Shares**" means the Class B common shares in the capital of TopCo;

"**TopCo Class C Fully Voting Shares**" means the Class C fully voting common shares in the capital of TopCo;

"**TopCo Class C Limited Voting Shares**" means the Class C limited voting common shares in the capital of TopCo;

"**TopCo Class C Shares**" means the TopCo Class C Limited Voting Shares and the TopCo Class C Fully Voting Shares;

"**TopCo Shareholder Representative**" shall have the meaning ascribed to such term in the Transaction Agreement;

"**TopCo Offer**" has the meaning given to it in Section 3.23(a);

"**TopCo Shares**" means, collectively, the TopCo Class A Shares, the TopCo Class B Shares and the TopCo Class C Shares;

"**TopCo Successor**" has the meaning given to it in Section 11.1(a);

"**Total Base**" at any time means the total of the Outstanding Exchangeable Units plus the number of TopCo Shares outstanding as at that time;

"**Transaction Agreement**" has the meaning set out in the Recitals;

"**transfer**" when used in this Agreement with respect to a Partnership Interest has the meaning given to it in Section 3.13(h);

"**Transit**" means Telesat Canada, a corporation incorporated under the laws of Canada;

"**Transit Common Shares**", "**Transit Director Voting Preferred Shares**", "**Transit Non-Voting Participating Preferred Shares**" and "**Transit Voting Participating Preferred Shares**" each has the meaning ascribed thereto in the Transaction Agreement;

"**Trust**" means the [New Transit] Trust;

"**Trustee**" means TSX Trust Company, a trust company existing under the laws of Canada, or the trustee of the Trust as determined from time to time in accordance with the trust agreement made as of [●], 20[●];

"**Unit**" means the interest of a Partner in the Partnership represented by Exchangeable Units, Class D Units, Class X Units and GP Units;

"**U.S.**" means the United States of America;

"**U.S. Treasury Regulations**" means the regulations and rules made pursuant to the Code;

"**Unitholder**" or "**holder**" means a holder of one or more Units;

"**Units Offer**" has the meaning given to it in Section 3.23(b);

"**Voting Agreement**" means the Trust Voting Agreement dated the date hereof between the Partnership, TopCo and the Trustee;

"**Voting Director Contribution Agreement**" has the meaning ascribed thereto in the Transaction Agreement;

"**Voting Directors**" means Cashman and Watson;

"**Voting Rights**" means the voting rights attached to the Special Voting Shares; and

"**Watson**" has the meaning set out in the Preamble.

1.2 <u>Headings</u>

In this Agreement, the headings are for convenience of reference only, do not form a part of this Agreement and are not to be considered in the interpretation of this Agreement.

1.3 <u>Interpretation</u>

In this Agreement,

(a) words importing the masculine gender include the feminine and neuter genders, corporations, partnerships and other Persons, and words in the singular include the plural, and vice versa, wherever the context requires;

(b) the words "**include**", "**includes**", "**including**", or any variations thereof, when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement;

(c) unless otherwise specified, all references to designated Articles, Sections and other subdivisions are to the designated Articles, Sections and other subdivisions of this Agreement;

(d) all accounting terms not otherwise defined will have the meanings assigned to them by, and all computations to be made will be made in accordance with, International Financial Reporting Standards as issued by the International Accounting Standards Board, as consistently applied by TopCo from time to time ("**IFRS**");

(e) any reference to a statute will include and will be deemed to be a reference to the regulations and rules made pursuant to it, and to all amendments made to the statute, the regulations and the rules in force from time to time, and to any statute, regulation or rule that may be passed which has the effect of supplementing or superseding the statute referred to or the relevant regulation;

(f) any reference to a Person will include and will be deemed to be a reference to any Person that is a successor to that Person; and

(g) "**hereof**", "**hereto**", "**herein**", and "**hereunder**" mean and refer to this Agreement and not to any particular Article, Section or other subdivision.

1.4 Currency

All references to currency in this Agreement are references to lawful money of Canada, unless otherwise indicated.

1.5 Schedule

The following is the schedule to this Agreement:

Schedule A – Exchangeable Units of the Partnership

ARTICLE 2
RELATIONSHIP BETWEEN PARTNERS

2.1 Formation and Name of the Partnership

The General Partner acknowledges and represents to the Limited Partners that the Partnership was initially formed and registered as a limited partnership on November 12, 2020 by the filing of the Declaration of Limited Partnership in accordance with the Laws of the Province of Ontario and the provisions of the Original Limited Partnership Agreement to carry on business in common with a view to profit under the firm name and style of "Telesat Partnership LP" or the French form of that name or any other name or names as the General Partner may determine from time to time. The General Partner has the right to file an amendment to the Declaration of Limited Partnership changing the name of the Partnership or the French form of that name.

2.2 Purpose of the Partnership

The purpose of the Partnership shall be to: (a) acquire and hold direct and indirect equity interests in Leo, Transit, CanHoldco and, subject to the approval of the General Partner, any other Persons; (b) engage in any activity related to the capitalization and financing of the Partnership's interests in such corporations and such other Persons; and (c) engage in any activity that is incidental to or in furtherance of the foregoing or any other business that it deems appropriate and that is approved by the General Partner and that lawfully may be conducted by a limited partnership organized under the Act and this Agreement; provided, however, that, (i) except pursuant to Section 9.4, the Partnership shall not engage, directly or indirectly, in any business activity that the General Partner determines would cause the Partnership to be treated as an association taxable as a corporation under U.S. Treasury Regulations Section 301.7701-3 or Section 7704 of the Code; and (ii) the General Partner shall conduct the affairs of the Partnership in a manner that does not cause the Partnership or Partners, solely as a result of being a limited partner in the Partnership, (A) to be treated as engaged in a "commercial activity" (as defined in Section 892(a)(2)(A)(i) of the Code) or (B) to be treated as engaged in a "trade or business" within the United States for purposes of Section 864 of the Code.

2.3 Office of the Partnership

The principal place of business of the Partnership will be 160 Elgin Street, Suite 2100
Ottawa, Ontario, Canada, K2P 2P7 or any other address in Ontario as the General Partner may designate in writing from time to time to the Limited Partners.

2.4 Fiscal Year

Unless changed by the General Partner, the fiscal period of the Partnership shall commence on January 1 of a calendar year and shall end on the earlier of December 31 in that year or on the date of dissolution or other termination of the Partnership. Each fiscal period is referred to in this Agreement as a "**Fiscal Year**".

2.5 Status of Partners

The General Partner represents, warrants, covenants and agrees with each Limited Partner that it:

(a) is a corporation incorporated under the Laws of British Columbia and is validly subsisting under those Laws;

(b) has the capacity and corporate authority to act as a general partner and to perform its obligations under this Agreement, and those obligations do not conflict with nor do they result in a breach of any of its constating documents, by-laws or any agreement by which it is bound;

(c) will act in good faith toward the Limited Partners in carrying out its obligations under this Agreement;

(d) holds and will maintain the registrations necessary for the conduct of its business and has and will continue to have all licences and permits necessary to carry on its business as the General Partner of the Partnership in all jurisdictions where the activities of the Partnership require that licensing or other form of registration of the General Partner; and

(e) will devote as much time as is reasonably necessary for the conduct and prudent management of the business and affairs of the Partnership.

2.6 Limitation on Authority of Limited Partners

No Limited Partner, in their capacity as a Limited Partner, will:

(a) take part in the administration, management or operation of the business of the Partnership or exercise any power in connection with that management or transact business on behalf of the Partnership;

(b) execute any document which binds or purports to bind any other Partner or the Partnership;

(c) hold that Limited Partner out as having the power or authority to bind any other Partner or the Partnership;

(d) have any authority or power to act for or undertake any obligation or responsibility on behalf of any other Partner or the Partnership;

(e) bring any action for partition or sale or otherwise in connection with the Partnership, or any interest in any property of the Partnership, whether real or personal, tangible or intangible, or file or register or permit to be filed, registered or remain undischarged any lien or charge in respect of any property of the Partnership; or

(f) compel or seek a partition, judicial or otherwise, of any of the assets of the Partnership distributed or to be distributed to the Partners in kind in accordance with this Agreement.

2.7 Power of Attorney

(a) Each Limited Partner hereby irrevocably nominates, constitutes and appoints the General Partner, with full power of substitution, as that Limited Partner's agent and true and lawful attorney to act on the Limited Partner's behalf with full power and authority in the Limited Partner's name, place and stead to execute and record or file as and where required:

(i) this Agreement, any amendment to this Agreement and any other instruments or documents required to continue and keep in good standing the Partnership as a limited partnership under the Act, or otherwise to comply with the Laws of any jurisdiction in which the Partnership may carry on business or own or lease property in order to maintain the limited liability of the Limited Partners and to comply with the applicable Laws of that jurisdiction (including any amendments to the Declaration of Limited Partnership or the Record as may be necessary to reflect the admission to the Partnership of subscribers for or transferees of Units as contemplated by this Agreement);

(ii) all instruments and any amendments to the Declaration of Limited Partnership necessary to reflect any amendment to this Agreement;

(iii) any instrument required in connection with the dissolution, liquidation and termination of the Partnership in accordance with the provisions of this Agreement, including any elections under the Tax Act, the Code and under any similar taxation legislation;

(iv) the documents necessary to be filed with the appropriate Governmental Authority in connection with the business, property, assets and undertaking of the Partnership;

(v) any documents as may be necessary to give effect to the business of the Partnership as described in Section 2.2;

(vi) the documents on the Limited Partner's behalf and in the Limited Partner's name as may be necessary to give effect to the sale or assignment of a Unit or to give effect to the admission of a subscriber for or transferee of Units to the Partnership;

(vii) any election, determination, designation, information return or similar document or instrument as may be required or desirable at any time under the Tax Act, the Code or under any other taxation legislation or Laws of like import of Canada, the U.S. or of any province, territory, state or jurisdiction which relates to the affairs of the Partnership or its Subsidiaries or the interest of any Person in the Partnership; and

(viii) all other similar instruments and documents on the Limited Partner's behalf and in the Limited Partner's name or in the name of the Partnership as may be deemed necessary by the General Partner to carry out fully this Agreement in accordance with its terms.

(b) The General Partner may require any Person subscribing for Units to execute such documents or instruments containing a power of attorney incorporating by reference, ratifying and confirming some or all of the powers described above.

(c) The power of attorney granted in this Agreement is irrevocable, is a power coupled with an interest, will survive the death or disability of a Limited Partner and will survive the transfer or assignment by the Limited Partner, to the extent of the obligations of a Limited Partner under this Agreement, of the whole or any part of the interest of the Limited Partner in the Partnership, extends to the heirs, executors, administrators, other legal representatives and successors, transferees and assigns of the Limited Partner, and may be exercised by the General Partner on behalf of each Limited Partner in executing any instrument by electronic signature or by listing all the Limited Partners and executing that instrument with a single signature as attorney and agent for all of them.

(d) Each Limited Partner agrees to be bound by any representations or actions made or taken by the General Partner pursuant to the power of attorney granted in this Agreement and hereby waives any and all defenses which may be available to contest, negate or disaffirm the action of the General Partner taken in good faith under such power of attorney.

(e) In accordance with the *Power of Attorney Act* (British Columbia), the *Powers of Attorney Act* (Alberta), the *Powers of Attorney Act*, 2002 (Saskatchewan), the *Powers of Attorney Act* (Manitoba), the *Substitute Decisions Act*, 1992 (Ontario), the *Property Act* (New Brunswick), the *Powers of Attorney Act* (Prince Edward Island), the *Powers of Attorney Act* (Nova Scotia), the *Enduring Powers of Attorney Act* (Newfoundland), the *Enduring Power of Attorney Act* (Yukon), *Powers of Attorney Act* (Nunavut), and the *Powers of Attorney Act* (Northwest Territories), and any similar legislation governing a power of attorney, each Limited Partner declares that these powers of attorney may be exercised during any legal incapacity, mental incapacity or infirmity, or mental incompetence on the Limited Partner's part.

(f) The power of attorney granted in this Agreement is not intended to be a continuing power of attorney within the meaning of the *Substitute Decisions Act*, 1992 (Ontario) exercisable during a Limited Partner's incapacity to manage property, or any similar power of attorney under equivalent legislation in any of the provinces or territories of Canada (a "**CPOA**"). The execution of this power of attorney will not terminate any CPOA granted by the Limited Partner previously and will not be terminated by the execution by the Limited Partner in the future of a CPOA, and the Limited Partner hereby agrees not to take any action in future which results in the termination of the power of attorney granted in this Agreement.

(g) The General Partner may require, in connection with the subscription for, or any transfer of, Units, that the documents executed by the subscribing Limited Partner or transferee, if any, be accompanied by the explanatory notes set out in the *Powers of Attorney Act* (Alberta) and the *Enduring Power of Attorney Act* (Yukon) and a certificate of legal advice signed by a lawyer who is not the attorney or the attorney's spouse.

(h) The power of attorney granted in this Agreement will continue in respect of the General Partner so long as it is the general partner of the Partnership, and will terminate thereafter, but will continue in respect of a new General Partner as if the new General Partner were the original attorney.

(i) A purchaser or transferee of a Unit will, upon becoming a Limited Partner, be conclusively deemed to have acknowledged and agreed to be bound by the provisions of this Agreement as a Limited Partner and will be conclusively deemed to have provided the General Partner with the power of attorney described in this Section 2.7.

2.8 Limited Liability of Limited Partners

Subject to the provisions of the Act and of similar legislation in other jurisdictions of Canada, the liability of each Limited Partner for the debts, liabilities and obligations of the Partnership will be limited to the Limited Partner's Capital Contribution, plus the Limited Partner's share of any undistributed income of the Partnership. Following the contribution of a Limited Partner's Capital Contribution, the Limited Partner will not be liable for any further claims or assessments or be required to make further contributions to the Partnership, except to the extent required by applicable Law.

2.9 Indemnity of Limited Partners

The General Partner will indemnify and hold harmless each Limited Partner (including former Limited Partners) for all costs, expenses, damages or liabilities suffered or incurred by the Limited Partner if the limited liability of that Limited Partner is lost for or by reason of the negligence of the General Partner in performing its duties and obligations under this Agreement.

2.10 Compliance with Laws

Each Limited Partner will, on the request of the General Partner from time to time, promptly execute any documents considered by the General Partner to be necessary to comply with any applicable Law for the continuation, operation or good standing of the Partnership.

2.11 Other Activities of Partners

Limited Partners and their Affiliates and Associates and, subject to Section 7.20, Affiliates and Associates of the General Partner may engage in businesses, ventures, investments and activities which may be similar to or competitive with those in which the Partnership is or might be engaged and those Persons will not be required to offer or make available to the Partnership any other business or investment opportunity which any of those Persons may acquire or be engaged in for its own account.

ARTICLE 3
PARTNERSHIP UNITS

3.1 Authorized Units

From and after the date hereof and prior to the Merger Effective Time, the interests in the Partnership of the Partners will be divided into and represented by an unlimited number of units of three classes: the GP Units, the Class C Exchangeable Units and the Class X Units.

From and after the Merger Effective Time, the interests in the Partnership of the Partners will be divided into and represented by an unlimited number of five classes of Units as follows: (i) interests of the General Partner will be represented by general partnership units in the capital of the Partnership ("**GP Units**"); (ii) interests of Limited Partners (other than Rover, Rover's permitted transferees that are wholly-owned by Polaris or any holder of Class D Units in their capacity as such) who can demonstrate to the Partnership that they are Qualified Canadians will be represented by Class A exchangeable limited partnership units in the capital of the Partnership ("**Class A Exchangeable Units**"); (iii) all other interests of Limited Partners (other than Rover, Rover's permitted transferees that are wholly-owned by Polaris or any holder of Class D Units in their capacity as such) will be represented by Class B exchangeable limited partnership units in the capital of the Partnership ("**Class B Exchangeable Units**"); (iv) interests of Rover or its permitted transferees that are wholly-owned by Polaris will be represented by Class C exchangeable limited partnership units in the capital of the Partnership ("**Class C Exchangeable Units**", and collectively with the Class A Exchangeable Units and the Class B Exchangeable Units, "**Exchangeable Units**"); and (v) Class D limited partnership units ("**Class D Units**"), which may be issued to a wholly-owned subsidiary of the General Partner immediately before all Exchangeable Units cease to be Outstanding. No Partnership Interests or other equity interests in the Partnership shall be issued other than as specified in the Recitals hereto, by the preceding sentence or as set forth in Section 3.3(a). Each of the Units will represent an interest in the Partnership having the preferences, rights, restrictions, conditions and limitations provided in this Agreement including:

(a) the holders of Units will have the right to receive allocations of net income, net loss, taxable income and tax loss as provided in this Agreement;

(b) the holders of the Units will have the right to share in returns of capital and to share in cash and any other distributions to Partners and to receive the remaining assets of the Partnership on dissolution or winding up in accordance with the terms of this Agreement; and

(c) the holders of Units will have the right to receive notice of and to attend any meetings of Partners of the Partnership.

Except as specified in this Agreement with respect to the General Partner and as otherwise specified in Sections 3.4, 3.5 and 3.13 or in Schedule A, no Partner will have any preference, priority or right in any circumstance over any other Partner in respect of the Units held by each. For greater certainty, the General Partner's interest in the Partnership is a single interest defined by reference to the GP Units held by it and any other Units that it might acquire in accordance with this Agreement.

3.2 Rights, Privileges, Restrictions and Conditions of Exchangeable Units and Class D Units

In addition to the preferences, rights, restrictions, conditions and limitations set out in Sections 3.1 and 3.13(a):

(a) Each Exchangeable Unit will have the rights and preferences set out in Schedule A hereto. Except as otherwise expressly set forth in this Agreement, each Exchangeable Unit shall have the same rights and privileges as each other Exchangeable Unit regardless of class; and

(b) Notwithstanding anything to the contrary in this Agreement, so long as any Exchangeable Units are Outstanding, the Class D Units will not (i) participate in, or be entitled to, any distribution (including distributions pursuant to Section 5.3(b) or Section 5.4) or allocation of income (including Net Income), gain, loss (including Net Loss), deduction, taxable income or tax loss, and (ii) have any right to vote on any matter, whether by way of voting in person or by proxy at any meeting of Partners of the Partnership or by written resolution.

3.3 Issuance of Additional Units

(a) Except as contemplated pursuant to the Recitals hereto and Sections 3.4, 3.5 and 3.13(a), the Partnership shall not issue any additional Units other than Class D Units.

(b) All Partnership Interests issued by the Partnership shall be fully paid Partnership Interests.

3.4 Capital Structure of the Partnership and the General Partner

Except for the transactions expressly contemplated by Section 2.1 of the Transaction Agreement, from and after the First Closing Day, so long as any Exchangeable Units are Outstanding:

(a) The General Partner shall, and shall cause the Partnership to, take all actions necessary so that, at all times for as long as this Agreement is in effect, the economic rights of the holders of the Exchangeable Units and the economic rights of the General Partner as holder of the GP Units shall be proportionate to their respective Percentage Interests (for the avoidance of doubt, excluding distributions that are made to the General Partner on the GP Units pursuant to Section 3.4(d) or Section 5.3(a)).

(b) So long as TopCo is a General Partner and without limiting the generality of Section 3.4(a):

(i) upon the issuance by TopCo of any TopCo Shares (other than pursuant to the exercise of an Exchange Right or an issuance described in Section 3.5), including any issuance in connection with a business acquisition by TopCo, an equity incentive program or upon the conversion, exercise or exchange of any security or other instrument convertible into or exercisable or exchangeable for TopCo Shares, which, in each case, will result in a corresponding change in the Percentage Interests of the Partners in accordance with the definition of "**Percentage Interests**", TopCo shall contribute the proceeds of, or other consideration received in connection with, such issuance, if any, (net of any selling or underwriting discounts or commissions or other expenses) to the Partnership in consideration for the issuance of a number of additional GP Units equal to the number of Topco Shares issued; and

(ii) if any shares in the capital of TopCo other than Topco Shares is issued by TopCo ("**New Shares**"), TopCo shall (either immediately before or after such issuance) (A) cause the Partnership to create a corresponding new class of Units ("**New Units**") that has corresponding distribution rights to such New Shares, (B) cause the Partnership to issue one or more New Units to TopCo in exchange for the contribution by TopCo of the proceeds from, or other consideration received in connection with, the issuance of such New Shares (net of any selling or underwriting discounts or commissions or other expenses, which for the avoidance of doubt, shall be deemed to be reimbursed by the Partnership in accordance with Section 5.3(a) and such reimbursement proceeds shall be deemed to be contributed by TopCo to the Partnership) to the Partnership and (C) effect such amendments to this Agreement as are necessary in order to provide that the distributions and allocations on the New Units to TopCo pursuant to this Agreement are made on terms that allow TopCo to fund distributions on such New Shares in accordance with their terms and such other amendments as are necessary such that the capital of TopCo in the Partnership continues to correspond with the outstanding capital of TopCo.

(c) Upon the exchange of any Exchangeable Units for the applicable Exchanged Shares pursuant to the exercise of an Exchange Right, as of the effective date of such exchange, each Exchanged Share issued in exchange for an Exchangeable Unit shall be deemed (i) to have been first contributed by TopCo to the Partnership in consideration for the issuance of additional GP Units and (ii) then immediately thereafter to have been delivered by the Partnership to the holder exercising the Exchange Right and the Exchangeable Unit shall be cancelled and shall cease to exist.

(d) If the General Partner proposes to redeem, repurchase or otherwise acquire any TopCo Shares for cash, the Partnership shall, immediately prior to such redemption, repurchase or acquisition, make a distribution to the General Partner on its GP Units in an amount sufficient for the General Partner to fund such redemption, repurchase or acquisition, as the case may be.

3.5 Reciprocal Changes

Except for the transactions expressly contemplated by Section 2.1 of the Transaction Agreement, from and after the First Closing Day, so long as any Exchangeable Units not owned by the General Partner or its Subsidiaries are Outstanding:

(a) TopCo will not:

(i) issue or distribute TopCo Shares (or securities exchangeable for or convertible into or carrying rights to acquire TopCo Shares) to the holders of all or substantially all of the then outstanding TopCo Shares by way of stock dividend or other distribution, other than an issue of TopCo Shares (or securities exchangeable for or convertible into or carrying rights to acquire TopCo Shares) to holders of TopCo Shares who exercise an option to receive dividends in TopCo Shares (or securities exchangeable for or convertible into or carrying rights to acquire TopCo Shares) in lieu of receiving cash dividends; or

(ii) issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding TopCo Shares entitling them to subscribe for or to purchase TopCo Shares (or securities exchangeable for or convertible into or carrying rights to acquire TopCo Shares); or

(iii) issue or distribute to the holders of all or substantially all of the then outstanding TopCo Shares (A) shares or securities of the General Partner other than TopCo Shares (other than shares convertible into or exchangeable for or carrying rights to acquire TopCo Shares), (B) rights, options or warrants other than those referred to in Section 3.5(a)(ii) hereof, (C) evidences of indebtedness of the General Partner or (D) assets of the General Partner,

unless, in each case, the equitably equivalent on a per Exchangeable Unit basis of such TopCo Shares, rights, options, securities, warrants, shares, evidences of indebtedness or other assets is issued or distributed simultaneously to holders of the Exchangeable Units; provided that, for greater certainty, the above restrictions shall not apply to dividends or distributions on TopCo Shares corresponding to a distribution that is made on each Exchangeable Unit in accordance with Section 5.3(a).

(b) TopCo will not:

(i) subdivide, redivide or change the then outstanding TopCo Shares into a greater number of TopCo Shares; or

(ii) reduce, combine, consolidate or change the then outstanding TopCo Shares into a lesser number of TopCo Shares; or

(iii) reclassify or otherwise change TopCo Shares or effect an amalgamation, arrangement, merger, reorganization or other transaction affecting TopCo Shares (other than an amalgamation, arrangement, merger, reorganization or other transaction affecting TopCo Shares where such TopCo Shares are used as consideration in an acquisition by the Partnership or any Subsidiary of the Partnership),

unless, in each case, the same or an equitably equivalent change shall simultaneously be made to, or in the rights of the holders of, the Exchangeable Units.

(c) The General Partner will ensure that the record date for any event referred to in Section 3.5(a) or 3.5(b) hereof or (if no record date is applicable for such event) the effective date for any such event, will be the same with respect to both the Exchangeable Units and the TopCo Shares, and that such record date or effective date is not less than five Business Days after the date on which such event is declared or announced by the General Partner (with contemporaneous notification thereof by the General Partner to the Partnership).

(d) Upon due notice from the General Partner, the Partnership shall take such steps as may be necessary for the purposes of ensuring that appropriate distributions are paid or other distributions are made by the Partnership, or subdivisions, redivisions or changes are made to the Exchangeable Units, in order to implement the required equitable equivalence with respect to distributions on the TopCo Shares and Exchangeable Units as provided for in this Section 3.5.

(e) The Partnership shall not effect any Subdivision or Combination of Exchangeable Units other than in accordance with this Section 3.5.

3.6 Reservation of TopCo Shares

The General Partner hereby represents, warrants and covenants in favour of the Partnership that TopCo has reserved for issuance and will, at all times while any Exchangeable Units (other than Exchangeable Units held by the General Partner or its Subsidiaries) are outstanding, keep available, free from pre-emptive and other rights, out of its authorized and unissued share capital at least such number of each class of TopCo Shares (or other shares or securities into which TopCo Shares may be reclassified or changed as contemplated by Section 3.4) without duplication (a) as is equal to the number of such corresponding class of Exchangeable Units issued and outstanding from time to time and (b) as are now and may hereafter be required to enable and permit the General Partner to meet its obligations under any other security or commitment pursuant to which TopCo may now or hereafter be required to issue TopCo Shares, and to enable and permit the Partnership to meet its obligations hereunder.

3.7 Notification of Certain Events

In order to assist TopCo to comply with its obligations hereunder, if TopCo is not then the General Partner, the Partnership will notify TopCo of each of the following events at the time set forth below:

(a) immediately, upon receipt by the Partnership of an Exchange Notice;

(b) on the same date on which the Partnership gives written notice to holders of Exchangeable Units of a mandatory exchange in accordance with Article 2 of Schedule A hereto; and

(c) as soon as practicable upon the issuance by the Partnership of any Exchangeable Units or rights to acquire Exchangeable Units.

3.8 Delivery of TopCo Shares to the Partnership

Upon notice from the Partnership of any event that requires the Partnership to cause TopCo Shares to be delivered to any holder of Exchangeable Units, TopCo shall forthwith issue and deliver or cause to be delivered, for and on behalf of the Partnership, the requisite number of such class of TopCo Shares to be received by, and issued to or to the order of, the former holder of the surrendered Exchangeable Units. All such TopCo Shares shall be duly authorized and validly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance. In consideration of the issuance and delivery of each such TopCo Share, the Partnership shall issue additional GP Units as provided in Section 3.4(c).

3.9 Qualification of TopCo Shares

If any TopCo Shares (or other shares or securities into which TopCo Shares may be reclassified or changed as contemplated by Section 3.4) to be issued and delivered hereunder require registration or qualification with or approval of or the filing of any document, including any prospectus or similar document or the taking of any proceeding with or the obtaining of any order, ruling or consent from any governmental or regulatory authority under any Canadian or U.S. federal, provincial or state securities or other Law or pursuant to the rules and regulations of any securities or other regulatory authority or the fulfillment of any other Canadian or U.S. legal requirement before such shares (or such other shares or securities) may be issued and delivered by the General Partner to the holder of surrendered Exchangeable Units or in order that such shares (or such other shares or securities) may be freely traded thereafter (other than any restrictions of general application on transfer by reason of a holder being a "control person" for purposes of Canadian provincial or territorial securities Law or an "affiliate" of the General Partner for purposes of U.S. federal or state securities Law), the General Partner will in good faith expeditiously take all such actions and do all such things as are necessary or desirable to cause such TopCo Shares (or such other shares or securities) to be and remain duly registered, qualified or approved under Canadian and/or U.S. Law, as the case may be, in each case for so long as any outstanding TopCo Shares are listed, quoted or posted for trading on any stock exchange or quotation system. The General Partner will in good faith expeditiously take all such actions and do all such things as are reasonably necessary or desirable to cause all TopCo Shares (or such other shares or securities) to be delivered hereunder to be listed, quoted or posted for trading on all stock exchanges and quotation systems on which outstanding TopCo Shares (or such other shares or securities) have been listed by the General Partner and remain listed and are quoted or posted for trading at such time.

3.10 Admittance as Limited Partner

Upon the issuance or transfer of Units to any new Limited Partner as permitted by this Agreement, all Partners will be deemed to consent to the admission of such Limited Partner, the General Partner will be deemed to have executed this Agreement on behalf of the new Limited Partner and to have caused the Record to be amended, and any other documents as may be required by the Act or under legislation similar to the Act in other provinces or the territories to be filed or amended, specifying the prescribed information and causing the foregoing information in respect of the new Limited Partner to be included in other Partnership books and records.

3.11 Payment of Expenses

The Partnership will pay or cause one of its Subsidiaries to pay, to the extent contemplated by any agreement, indenture, prospectus or other offering document, all costs, disbursements and other fees and expenses incurred, by the Partnership or on its behalf, in connection with:

(a) the organization of the Partnership;

(b) the Integration;

(c) the registration of the Partnership under the Act and under similar legislation of other jurisdictions; and

(d) the issuance and sale of any additional Units.

3.12 Record of Limited Partners

The General Partner shall keep or cause to be kept at its principal place of business in Ontario a current Record stating for each Limited Partner that information required under the Act, including the Limited Partner's name, status as to Qualified Canadian, address, Ontario corporation number, if any, the amount of money and/or the value of other property contributed or to be contributed by the Limited Partner to the Partnership and the number and type of Units held by each Limited Partner. Registration of interests in, and as provided in Section 3.13, transfers of, Units will be made only in the Record.

3.13 Transfers of Units and Changes in Membership of Partnership

(a) Exchangeable Units shall be exchanged for a different Class of Exchangeable Units as follows:

    (i) an issued and outstanding Class A Exchangeable Unit shall immediately be converted into one Class B Exchangeable Unit, automatically and without any further act of the Partnership, the General Partner or the Unitholder thereof, (x) if such Class A Exchangeable Unit is or becomes beneficially owned or controlled, directly or indirectly, by a Person who is not a Qualified Canadian, or (y) as provided in Section 3.13(f); and

    (ii) an issued and outstanding Class B Exchangeable Unit shall be converted into one Class A Exchangeable Unit, upon provision of evidence in form and substance satisfactory to the General Partner that such Class B Exchangeable Unit is or becomes beneficially owned or controlled, directly or indirectly, by a Person who is a Qualified Canadian.

(b) The General Partner may require, at all times, that any holder of Exchangeable Units must provide any relevant information required to enable it to apply the restrictions on the issue, transfer, ownership, control or voting of Exchangeable Units set out in this Agreement.

(c) The General Partner may require, prior to accepting any transfer of or subscription for Exchangeable Units, that the prospective Unitholder provide any relevant information required to enable it to apply the restrictions on the issue, transfer, ownership, control or voting of Exchangeable Units set out in this Agreement.

(d) In order to apply the provisions concerning the restrictions on the issue, transfer, ownership, control or voting of Exchangeable Units set out in this Agreement, the General Partner may, in its entire discretion:

(i) require a person in whose name any Class A Exchangeable Units are registered to provide a statutory declaration under the Canada Evidence Act or otherwise concerning whether the Unitholder or beneficial owner is a Qualified Canadian (a "**Declaration**");

(ii) require any Person seeking to have a transfer of any Class A Exchangeable Units registered in his or her name or to have any Class A Exchangeable Units issued to him or her to provide a Declaration; and

(iii) determine the circumstances in which any Declarations are required, their form and the times when they are to be provided.

(e) The General Partner may, when it deems it appropriate in order to apply the provisions concerning the restrictions on the ownership, control or voting of Exchangeable Units set forth in this Agreement:

(i) name and sign any contract with third persons, namely in order to assist in obtaining and following-up on the Declarations and various information it requires; and

(ii) implement all control mechanisms and adopt all the procedures it may require from time to time, and in particular, to implement and adopt certificates of control of the Qualified Canadian or non-Qualified Canadian status of the Unitholders.

(f) When a holder of Exchangeable Units is required to provide a Declaration or any other information required pursuant to this Section 3.13 and fails to comply with such obligation, the General Partner may, until such Unitholder has provided the Declaration or the information concerned, exchange any issued and outstanding Class A Exchangeable Units held by or on behalf of such person into Class B Exchangeable Units without any further act of such person and recognize all ownership rights attributable to the applicable Exchangeable Units, including the voting rights attached to such Exchangeable Units, on an as exchanged for Class B Exchangeable Units basis.

(g) A Limited Partner may not transfer its Exchangeable Units, in whole or in part, to any Person, except as set out in Section 3.18 and as follows:

(i) In the case of a natural person, upon their demise, to their estate and heirs;

(ii) In the case of a Person that is not a natural person, (A) by operation of Law upon a merger, consolidation, amalgamation, liquidation, dissolution or similar transaction or (B) pursuant to a transfer in which, for U.S. federal income tax purposes, the basis of the Exchangeable Unit in the hands of the transferee is determined, in whole or in part, by reference to its basis in the hands of the transferor or is determined under section 732 of the Code; and

(iii) Exchanges of Units as provided in Section 3.13(a).

(h) The term "**transfer**," when used in this Agreement with respect to a Partnership Interest, shall mean, and shall be deemed to refer to: (x) any direct conveyance of any Partnership Interest; and (y) any transaction by which the Record Holder of a Partnership Interest conveys any Partnership Interest to another Person, including by way of a sale, assignment, gift, exchange or any other disposition by Law or otherwise (excluding any grant of a pledge, lien, encumbrance or security interest, but not excluding a conveyance as a result of the foreclosure of any pledge, lien, encumbrance or security interest).

(i) The Registrar and Transfer Agent is hereby appointed registrar and transfer agent for the purpose of registering Units and transfers of Units as herein provided. Upon delivery of evidence of compliance with this Section 3.13 and an instrument of transfer (including the name, status as to Qualified Canadian, tax identification number (if applicable), address and email address for each transferee as required for inclusion in the Record) in form and substance satisfactory to the General Partner, the General Partner shall update the Record to reflect the transfer and shall execute and deliver, and the Registrar and Transfer Agent shall countersign and deliver, a statement evidencing the transfer (a "**Confirmation**").

(j) The Partnership shall not recognize any transfer of Units until a Confirmation is delivered. No charge shall be imposed by the Partnership for any transfer of Units.

(k) By acceptance of the transfer of any Unit, each transferee of a Unit (including any nominee holder or an agent or representative acquiring such Units for the account of another Person) (i) shall be admitted to the Partnership as a Partner with respect to the Units so transferred to such transferee when any such transfer or admission is reflected in the Record, (ii) shall be deemed to agree to be bound by the terms of this Agreement, (iii) shall become the Record Holder of the Units so transferred (subject to Section 3.13(a)), (iv) grants powers of attorney to the General Partner, as specified herein, and (v) makes the consents and waivers contained in this Agreement. The transfer of any Units and the admission of any new Partner shall not constitute an amendment to this Agreement.

(l) No change of name or address of a Limited Partner, no transfer of a Unit and no admission of a substituted Limited Partner in the Partnership will be effective for the purposes of this Agreement until the requirements set out in this Article 3 have been satisfied, and until that change, transfer, substitution or addition is duly reflected in an amendment to the Record as may be required by the Act. The names and addresses of the Limited Partners as reflected from time to time in the Record, as from time to time amended, will be conclusive as to those facts for all purposes of the Partnership.

(m) Where the transferee complies with all applicable provisions and is entitled to become a Limited Partner pursuant to the provisions of this Agreement, subject to Section 3.13(k), the General Partner shall admit the transferee to the Partnership as a substituted Limited Partner and the Limited Partners hereby consent to the admission of, and will admit, the transferee to the Partnership as a Limited Partner, without further act of the Limited Partners (other than as may be required by Law).

(n) No transfer of Units will be accepted by the General Partner more than 15 days after the sending of a notice of dissolution under Section 13.3(d).

3.14 Notice of Change to General Partner

No name or address of a Limited Partner will be changed and no transfer of a Unit or substitution or addition of a Limited Partner in the Partnership will be recorded on the Record except pursuant to a notice in writing received by the General Partner.

3.15 Inspection of Record

A Limited Partner, or an agent of a Limited Partner duly authorized in writing, has the right to inspect and make copies from the Record during normal business hours.

3.16 Amendment of Declaration of Limited Partnership or Record

The General Partner, on behalf of the Partnership, may effect such filings, recordings, registrations and amendments to the Record and the Declaration of Limited Partnership and to any other documents and at any places as in the opinion of counsel to the Partnership are necessary or advisable to reflect changes in the membership of the Partnership, transfers of Units and dissolution of the Partnership as provided in this Agreement and to constitute a transferee as a Limited Partner.

3.17 Non-Recognition of Trusts or Beneficial Interests

Units may be held by nominees on behalf of the beneficial owners of the Units. Notwithstanding the foregoing, except as provided in this Agreement, as required by Law or as recognized by the General Partner in its sole discretion, no Person will be recognized (including in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code) by the Partnership or any Limited Partner as holding any Unit in trust, or on behalf of another Person with the beneficial interest in that other Person, and the Partnership and Limited Partners will not be bound or compelled in any way to recognize (even when having actual notice) any equitable, contingent, future or partial interest in any Unit or in any fractional part of a Unit or any other rights in respect of any Unit except an absolute right to the entirety of the Unit in the Limited Partner shown on the Record as holder of that Unit.

3.18 Incapacity, Death, Insolvency or Bankruptcy

Where a Person becomes entitled to Units on the incapacity, death, insolvency, or bankruptcy of a Limited Partner, or otherwise by operation of law, in addition to the requirements of Section 3.13, that entitlement will not be recognized or entered into the Record until that Person:

(a) has produced evidence satisfactory to the Registrar and Transfer Agent of that Person's entitlement; and

(b) has delivered any other evidence, approvals and consents in respect to that entitlement as the Registrar and Transfer Agent may require and as may be required by Law or by this Agreement, including, for the avoidance of doubt, a Declaration.

3.19 No Transfer upon Dissolution

No transfer of Units may be made or will be accepted or entered into the Record after the occurrence of any of the events set out in Section 13.1.

3.20 Units Uncertificated

The Units will be uncertificated.

3.21 Indirect Transfers of Interests

(a) Polaris represents and warrants that it is the sole record and beneficial owner of all of the outstanding voting and equity interests in Rover. For so long as Rover is a Unitholder, Polaris shall not, directly or indirectly, permit the transfer of its interest in Rover or engage in one or more transactions that have the effect of reducing the economic exposure of Polaris to the Exchangeable Units held by Rover, it being understood that pledging (or engaging in a similar transaction with the same effect) by Polaris of its interest in Rover to secure *bona fide* borrowings which have recourse to Polaris and are not in default shall not be deemed to be a violation of this provision; provided, however, that Polaris shall be permitted to transfer its interest in Rover, in whole or in part, to any of its Affiliates that are directly or indirectly wholly-owned and controlled by Polaris; provided further, that prior to such transferee ceasing to be a direct or indirect wholly-owned subsidiary of Polaris, it shall transfer such interest back to Polaris or a direct or indirect wholly-owned and controlled subsidiary of Polaris, and all such transferees shall, prior to any such transfer, have and be subject to all of the obligations of Polaris hereunder pursuant to documentation approved in writing by the General Partner.

(b) For so long as any Meteor Entity is a Unitholder, the applicable Meteor Fund shall not, directly or indirectly, permit the transfer of its interest in such Meteor Entity or engage in one or more transactions that have the effect of reducing the economic exposure of such Meteor Fund to the Exchangeable Units held by such Meteor Entity, it being understood that pledging (or engaging in a similar transaction with the same effect) by such Meteor Fund of its interest in the applicable Meteor Entity to secure *bona fid*e borrowings which have recourse to such Meteor Fund and are not in default shall not be deemed to be a violation of this provision; provided, however, that a Meteor Fund shall be permitted to transfer its interest in a Meteor Entity, in whole or in part, to any of its Affiliates that are directly or indirectly wholly-owned and controlled by one or more Meteor Funds; provided further, that prior to such transferee ceasing to be a direct or indirect wholly-owned subsidiary of one or more Meteor Funds, it shall transfer such interest back to the Meteor

Funds or a direct or indirect wholly-owned and controlled subsidiary of the Meteor Funds, and all such transferees shall, prior to any such transfer, have and be subject to all of the obligations of the Meteor Funds hereunder pursuant to documentation approved in writing by the General Partner.

3.22 Record Holders

In accordance with Section 3.13, the Partnership shall be entitled to recognize the Record Holder as the Limited Partner with respect to any Units and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such Units on the part of any other Person, whether or not the Partnership shall have actual or other notice thereof, except as otherwise provided by applicable Law. Without limiting the foregoing, when a Person (such as a broker, dealer, bank, trust company or clearing corporation or an agent of any of the foregoing) is acting as nominee, agent or in some other representative capacity for another Person in acquiring and/or holding Units, as between the Partnership on the one hand and such other Person on the other hand, such representative Person shall be the Record Holder of such Units.

3.23 Acquisition Proposals: TopCo and the Partnership

For so long as Exchangeable Units remain Outstanding (not including Exchangeable Units held by the General Partner and its Subsidiaries):

(a) no tender offer, share exchange offer, formal issuer bid, formal take-over bid or similar transaction with respect to TopCo Shares (a “**TopCo Offer**”) will be proposed or recommended by the General Partner or the General Partner’s Board of Directors or otherwise effected with the consent or approval of the General Partner’s Board of Directors unless the holders of Exchangeable Units (other than the General Partner and its Subsidiaries) are entitled to participate in such TopCo Offer to the same extent and on an equitably equivalent basis as the holders of TopCo Shares, without discrimination. The General Partner will use its commercially reasonable efforts expeditiously and in good faith to put in place procedures or to cause the Registrar and Transfer Agent to put in place procedures to ensure that, the holders of Exchangeable Units may participate in such TopCo Offer by exercising their Exchange Right (conditional upon and subject to the TopCo Shares tendered or deposited under such TopCo Offer being taken up); and

(b) no tender offer, share exchange offer, formal issuer bid, formal take-over bid or similar transaction with respect to Exchangeable Units (a “**Units Offer**”) will be proposed or recommended by the General Partner or the General Partner’s Board of Directors or otherwise effected with the consent or approval of the General Partner’s Board of Directors unless the holders of TopCo Shares (other than the General Partner and its Subsidiaries) are entitled to participate in such Units Offer to the same extent and on an equitably equivalent basis as the holders of Exchangeable Units, without discrimination.

3.24 General Partner and Subsidiaries Not to Vote Exchangeable Units

The General Partner covenants and agrees in favor of the Partnership that it will appoint and cause to be appointed proxyholders with respect to all Exchangeable Units held by it and its Subsidiaries for the sole purpose of attending each meeting of holders of Exchangeable Units in order to be counted as part of the quorum for each such meeting. The General Partner further covenants and agrees that it will not, and will cause its Subsidiaries not to, exercise any voting rights which may be exercisable by holders of Exchangeable Units from time to time pursuant to this Agreement or pursuant to the provisions of the Voting Agreement (or any successor or other corporate statute by which the Partnership may in the future be governed) with respect to any Exchangeable Units held by it or by its Subsidiaries in respect of any matter considered at any meeting of holders of Exchangeable Units or, except in express compliance with the Voting Agreement, at any meeting of the holders of TopCo Shares.

3.25 Attributes of Class X Units

The holders of Class X Units as a class shall be entitled to receive distributions as provided by Section 5.3(b)(i) and the aggregate amount of $1,000 on the redemption thereof.

ARTICLE 4
CAPITAL CONTRIBUTIONS AND ACCOUNTS

4.1 General Partner Contribution

The General Partner has made an initial contribution of $[500] to the capital of the Partnership and will make subsequent capital contributions prior to the Merger Effective Time of Transit shares and CanHoldco shares as part of the Integration.

4.2 Limited Partner and General Partner Contributions

In respect of the Exchangeable Units issued to the Limited Partners, the Capital Contribution in respect of each Exchangeable Unit issued to a Limited Partner will be equal to the fair market value of property exchanged by such Partner in consideration for such Exchangeable Unit. For the avoidance of doubt, there is no obligation pursuant to this Agreement for any Limited Partner to make additional Capital Contributions. In respect of the GP Units issued to the General Partner, the aggregate Capital Contribution in respect of the GP Units will be equal to the fair market value of the property and cash contributed to the Partnership by the General Partner in consideration for such GP Units. Except as otherwise provided in this Section 4.2, the fair market value of any property contributed to the Partnership shall be determined by the General Partner. For purposes of determining the amount of any Capital Contribution made pursuant to the Integration in exchange for Exchangeable Units or GP Units, the per share fair market value of a Leo share shall be $[●] and the per share fair market value of a Transit share shall be $[●]. The aggregate fair market value of the Transit shares contributed to the Partnership by Topco pursuant to the Integration shall be equal to the product of the per share value of a Transit share in the preceding sentence multiplied by the total number of Transit shares contributed to Topco pursuant to the Transaction Agreement.

4.3 Maintenance of Capital Accounts

(a) There shall be established for each Partner on the books of the Partnership as of the date such Partner becomes a Partner a capital account (each being a "**Capital Account**"). Each Capital Contribution by any Partner, if any, shall be credited to the Capital Account of such Partner on the date such Capital Contribution is made to the Partnership. In addition, each Partner's Capital Account shall be (a) credited with (i) such Partner's allocable share of any Net Income of the Partnership and any items in the nature of income or gain that are specially allocated to such Partner pursuant to Section 5.1(b), and (ii) the amount of any Partnership liabilities that are assumed by the Partner or secured by any Partnership property distributed to the Partner, (b) debited with (i) the amount of distributions (and deemed distributions) to such Partner of cash or the Carrying Value of other property so distributed, (ii) such Partner's allocable share of Net Loss of the Partnership and any items in the nature of deduction or loss that are specially allocated to such Partner pursuant to Section 5.1(b), and (iii) the amount of any liabilities of the Partner assumed by the Partnership or which are secured by any property contributed by the Partner to the Partnership and (c) otherwise maintained in accordance with the provisions of the Code and the U.S. Treasury Regulations. Any other item which is required to be reflected in a Partner's Capital Account under Section 704(b) of the Code and the U.S. Treasury Regulations or otherwise under this Agreement shall be so reflected. The General Partner shall make such adjustments to Capital Accounts as it determines in its sole discretion to be appropriate to ensure allocations are made in accordance with a Partner's interest in the Partnership. Interest shall not be payable on Capital Account balances. Notwithstanding anything to the contrary contained in this Agreement, the General Partner shall maintain the Capital Accounts of the Partners in accordance with the principles and requirements set forth in Section 704(b) of the Code and the U.S. Treasury Regulations.

(b) A transferee of Units shall succeed to a pro rata portion of the Capital Account of the transferor based on the number of Units so transferred.

(c) The Partnership shall revalue the Capital Accounts of the Partners in accordance with U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(f) (a "**Revaluation**") at the following times: (i) immediately prior to the contribution of more than a de minimis amount of money or other property to the Partnership by a new or existing Partner as consideration for one or more Units; (ii) the distribution by the Partnership to a Partner of more than a de minimis amount of property in respect of one or more Units; (iii) the issuance by the Partnership of more than a de minimis amount of Units as consideration for the provision of services to or for the benefit of the Partnership (as described in U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(f)(5)(iii)); and (iv) the liquidation of the Partnership within the meaning of U.S. Treasury Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that adjustments pursuant to clauses (i), (ii) and (iii) above shall be made only if the General Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners.

(d) Notwithstanding anything expressed or implied to the contrary in this Agreement, in the event the General Partner shall determine, in its sole and absolute discretion, that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto, are computed in order to give economic effect to the manner in which distributions are made to the Partners pursuant to the provisions of Sections 5.3, 5.4 and 13.3, the General Partner may make such modification.

ARTICLE 5
PARTICIPATION IN PROFITS AND LOSSES

5.1 Allocation for Capital Account Purposes

(a) After giving effect to the special allocations set forth in Section 5.1(b), Net Income (Net Loss) of the Partnership for each Fiscal Year or other taxable period shall be allocated among the Capital Accounts of the Partners as follows:

(i) After giving effect to the Required Allocations, Net Income for each Fiscal Year (or portion thereof) shall be allocated among the Partners so as to reduce, proportionally, the differences between their respective Target Capital Accounts and Partially Adjusted Capital Accounts for such Fiscal Year. No portion of the Net Income for any Fiscal Year shall be allocated to a Partner whose Partially Adjusted Capital Account is greater than or equal to the Partner's Target Capital Account for such Fiscal Year.

(ii) After giving effect to the Required Allocations, Net Loss for any Fiscal Year shall be allocated among the Partners so as to reduce, proportionately, the differences between their respective Partially Adjusted Capital Accounts and Target Capital Accounts for such Fiscal Year. No portion of the Net Loss for any Fiscal Year shall be allocated to a Partner whose Target Capital Account is less than or equal to the Partner's Partially Adjusted Capital Account for such Fiscal Year.

(b) Special Allocations. Notwithstanding any other provision of this Section 5.1, the following special allocations shall be made for each Fiscal Year or other taxable period:

(i) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Section 5.1, if there is a net decrease in Partnership Minimum Gain during any Partnership taxable period, each Partner shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in U.S. Treasury Regulations Sections 1.704-2(f), 1.704-2(g)(2) and 1.704-2(j)(2)(i), or any successor provision. For purposes of this Section 5.1(b)(i), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income and gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(b) with respect to such taxable period (other than an allocation pursuant to Sections 5.1(b)(iii) and 5.1(b)(iv)). This Section 5.1(b)(i) is intended to comply with the Partnership Minimum Gain chargeback requirement in U.S. Treasury Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) Chargeback of Partner Nonrecourse Debt Minimum Gain. Notwithstanding the other provisions of this Section 5.1 (other than Section 5.1(b)(i)), except as provided in U.S. Treasury Regulations Section 1.704-2(i)(4), if there is a net decrease in Partner Nonrecourse Debt Minimum Gain during any Partnership taxable period, any Partner with a share of Partner Nonrecourse Debt Minimum Gain at the beginning of such taxable period shall be allocated items of Partnership income and gain for such period (and, if necessary, subsequent periods) in the manner and amounts provided in U.S. Treasury Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2)(ii), or any successor provisions. For purposes of this Section 5.1(b)(ii), each Partner's Adjusted Capital Account balance shall be determined, and the allocation of income and gain required hereunder shall be effected, prior to the application of any other allocations pursuant to this Section 5.1(b), other than Section 5.1(b)(i) and other than an allocation pursuant to Sections 5.1(b)(v) and (vi), with respect to such taxable period. This Section 5.1(b)(ii) is intended to comply with the chargeback of items of income and gain requirement in U.S. Treasury Regulations Section 1.704-2(i) (4) and shall be interpreted consistently therewith.

(iii) Qualified Income Offset. In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in U.S. Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5), or (6), items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate, to the extent required by the U.S. Treasury Regulations promulgated under Section 704(b) of the Code, the deficit balance, if any, in its Adjusted Capital Account created by such adjustments, allocations or distributions as quickly as possible unless such deficit balance is otherwise eliminated pursuant to Sections 5.1(b)(i) or (ii). This Section 5.1(b)(iii) is intended to qualify and be construed as a "qualified income offset" within the meaning of U.S. Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(iv) Gross Income Allocations. In the event any Partner has a deficit balance in its Capital Account at the end of any Partnership taxable period in excess of the sum of (A) the amount such Partner is required to restore pursuant to the provisions of this Agreement and (B) the amount such Partner is deemed obligated to restore pursuant to U.S. Treasury Regulations Sections 1.704-2(g) and 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership gross income and gain in the amount of such excess as quickly as possible; provided, that an allocation pursuant to this Section 5.1(b)(iv) shall be made only if and to the extent that such Partner would have a deficit balance in its Capital Account as adjusted after all other allocations provided for in this Section 5.1 have been tentatively made as if this Section 5.1(b)(iv) were not in this Agreement.

(v) Nonrecourse Deductions. Nonrecourse Deductions for any taxable period shall be allocated to the holders of the GP Units and the Exchangeable Units in accordance with their respective Percentage Interests. If the General Partner determines that the Partnership's Nonrecourse Deductions should be allocated in a different ratio to satisfy the safe harbor requirements of the U.S. Treasury Regulations promulgated under Section 704(b) of the Code, the General Partner is authorized to revise the prescribed ratio to the numerically closest ratio that does satisfy such requirements.

(vi) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for any taxable period shall be allocated 100% to the Partner that bears the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with U.S. Treasury Regulations Section 1.704-2(i). If more than one Partner bears the Economic Risk of Loss with respect to a Partner Nonrecourse Debt, such Partner Nonrecourse Deductions attributable thereto shall be allocated between or among such Partners in accordance with the ratios in which they share such Economic Risk of Loss.

(vii) Nonrecourse Liabilities. Nonrecourse Liabilities of the Partnership described in U.S. Treasury Regulations Section 1.752-3(a)(3) shall be allocated among the Partners in a manner chosen by the General Partner and consistent with such U.S. Treasury Regulations.

(viii) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the U.S. Treasury Regulations.

(ix) Curative Allocation.

(A) The Required Allocations are intended to comply with certain requirements of the U.S. Treasury Regulations. It is the intent of the Partners that, to the extent possible, all Required Allocations shall be offset either with other Required Allocations or with special allocations of other items of Partnership income, gain, loss or deduction pursuant to this Section 5.1(b)(ix). Therefore, notwithstanding any other provision of this Article 5 (other than the

Required Allocations), the General Partner shall make such offsetting special allocations of Partnership income, gain, loss or deduction in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Partner's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Partner would have had if the Required Allocations were not part of this Agreement and all Partnership items were allocated pursuant to the economic agreement among the Partners.

(B) The General Partner shall, with respect to each taxable period, (1) apply the provisions of Section 5.1(b)(ix)(A) in whatever order is most likely to minimize the economic distortions that might otherwise result from the Required Allocations, and (2) divide all allocations pursuant to Section 5.1(b)(ix)(A) among the Partners in a manner that is likely to minimize such economic distortions.

(x) Partnership Recourse Liabilities. Any guarantee of Partnership debt by the General Partner shall not be taken into account for purposes of Section 752 of the Code and the U.S. Treasury Regulations.

5.2 Allocation of Net Income and Losses for Tax Purposes

(a) Except as otherwise provided herein, each item of income, gain, loss and deduction shall be allocated, for U.S. federal income tax purposes, among the Partners in the same manner as its correlative item of Net Income or Net Loss is allocated pursuant to Section 5.1(a).

(b) In accordance with Section 704(c) of the Code and the U.S. Treasury Regulations thereunder, income, gain, loss, and deduction with respect to any Property contributed to the capital of the Partnership and with respect to reverse Code Section 704(c) allocations described in U.S. Treasury Regulations 1.704-3(a)(6) shall, solely for U.S. tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such Property to the Partnership for U.S. federal income tax purposes and its initial Carrying Value or its Carrying Value determined pursuant to U.S. Treasury Regulations Section 1.704-1(b)(2)(iv)(f) (computed in accordance with the definition of Carrying Value) using any allocation method under U.S. Treasury Regulations Section 1.704-3 as the General Partner may decide. Any elections or other decisions relating to such allocations shall be made by the General Partner in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 5.2, Section 704(c) of the Code (and the principles thereof), and U.S. Treasury Regulations Section 1.704-1(b)(4)(i) are solely for purposes of U.S. federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, other items, or distributions pursuant to any provision of this Agreement.

(c) The income or loss for Canadian federal income tax purposes of the Partnership for a given Fiscal Year (or other taxable period) of the Partnership will be allocated to the Partners in accordance with the following:

(i) The General Partner shall first be allocated an amount of income for the Fiscal Year (or other taxable period) equal to the aggregate amount of distributions made to the General Partner pursuant to Section 5.3(a) in the Fiscal Year plus any Unallocated Amounts from prior Fiscal Years (or other taxable periods); provided, however, that the amount of income allocated pursuant to this Section 5.2(c)(i) in a Fiscal Year (or other taxable period) shall not exceed the current tax deductions available to the General Partner (determined as if no amount would be allocated pursuant to Section 5.2(c)(ii) in respect of the Fiscal Year (or other taxable period)). The "Unallocated Amount" for a Fiscal Year (or other taxable period) shall be (1) the amount, if any, that the aggregate amount of distributions made to the General Partner pursuant to Section 5.3(a) in the Fiscal Year (or other taxable period) exceeds the current tax deductions available to the General Partner, determined as if no amount would be allocated pursuant to Section 5.2(c)(ii) in respect of the Fiscal Year (or other taxable period), less (2) any income of the Partnership for a subsequent Fiscal Year (or other taxable period) allocated to the General Partner in respect of such Unallocated Amount pursuant to this Section 5.2(c)(i).

(ii) The remaining income of the Partnership for the Fiscal Year (or other taxable period), if any, shall be allocated to the persons who were Partners during all or part of the Fiscal Year (or other taxable period) (each such person, a "**Recipient**") by multiplying the remaining income by a fraction, (1) the numerator of which is the sum of the fair market value of all distributions received by the Recipient with respect to that Fiscal Year or other taxable period pursuant to Section 5.3 (other than Section 5.3(a)) and Section 5.4, and (2) the denominator of which is the aggregate fair market value of all distributions made to all Recipients by the Partnership with respect to that Fiscal Year or other taxable period pursuant to Section 5.3 (other than Section 5.3(a)) and Section 5.4; provided that if the denominator would be nil, such remaining income will instead be allocated:

(A) if Exchangeable Units are Outstanding, to the Partners in accordance with their Percentage Interests; and

(B) if no Exchangeable Units are Outstanding, 99.999% to the General Partner and 0.001% to the holders of Class X Units or Class D Units, as applicable.

For the avoidance of doubt, a payment on redemption of a Class X Unit is not a distribution.

(iii) If, with respect to a given Fiscal Year or other taxable period, the Partnership has a loss, the General Partner shall, acting reasonably and fairly, allocate the loss of the Partnership in the manner it considers appropriate in the circumstances.

(iv) For the avoidance of doubt, the Partners acknowledge and agree that, in general, each Partner's share of the income of the Partnership for purposes of the income tax laws of the United States (and the income tax laws of any other jurisdiction under the Laws of which any income of the Partnership is subject to income taxation) is intended to be the same as such Partner's share of the income of the Partnership for Canadian federal income tax purposes, except to the extent of any difference arising solely because of one or more differences described in subsection 126(4.12) of the Tax Act. Accordingly, if the foregoing allocation provisions in this Section 5.2(c) result in an allocation of income of the Partnership for Canadian federal income tax purposes that would otherwise be inconsistent with the intention set forth in the preceding sentence, the General Partner may, acting reasonably, make such adjustments as are necessary for the purposes of allocating the income of the Partnership in a manner consistent with the intention set forth in the preceding sentence.

(v) Income and loss of the Partnership for Canadian federal income tax purposes will be determined in accordance with the Tax Act.

(d) The General Partner shall determine all matters concerning allocations for tax purposes not expressly provided for herein in its sole discretion. For the proper administration of the Partnership and for the preservation of uniformity of Units (or any portion or class or classes thereof), the General Partner may (i) amend the provisions of this Agreement as appropriate (x) to reflect the proposal or promulgation of U.S. Treasury Regulations under Section 704(b) or Section 704(c) of the Code or (y) otherwise to preserve or achieve uniformity of Units (or any portion or class or classes thereof), and (ii) adopt and employ or modify such conventions and methods as the General Partner determines in its sole discretion to be appropriate for (A) the determination for U.S. federal income tax purposes of items of income, gain, loss, deduction and credit and the allocation of such items among Partners and between transferors and transferees under this Agreement and pursuant to the Code and the U.S. Treasury Regulations, (B) the determination of the identities and tax classification of Partners, (C) the valuation of Partnership assets and the determination of tax basis, (D) the allocation of asset values and tax basis, and (E) the adoption and maintenance of accounting methods.

(e) For purposes of determining the items of Partnership income, gain, loss, deduction, or credit allocable to any Partner for U.S. federal income tax purposes with respect to any period, such items shall be determined on a daily, monthly, quarterly or other basis, as determined by the General Partner in its sole discretion, using any permissible method under Section 706 of the Code and the U.S. Treasury Regulations.

(f) Allocations that would otherwise be made to a Partner under the provisions of this Article 5 shall instead be made to the beneficial owner of Partnership Interests held by a nominee in any case in which the nominee has furnished the identity of such owner to the Partnership in accordance with Section 6031(c) of the Code or any other method determined by the General Partner in its sole discretion.

5.3 Distributions

The General Partner shall cause distributions to be made by the Partnership to the Partners only in accordance with this Section 5.3 and in the following order of priority:

(a) Special TopCo Distribution. The General Partner may, in its sole discretion, from time to time cause cash (and, for the avoidance of doubt, only cash) distributions to be made by the Partnership to TopCo (which distributions shall be made without pro rata distributions to the other Partners) in such amounts as required for TopCo to pay:

(i) any tax liabilities of TopCo (including any tax liabilities of TopCo resulting from allocations of taxable income related to the receipt of amounts pursuant to this Section 5.3(a) to the extent that the expenditure giving rise to the payment hereunder is not a deductible expense for the purposes of determining any income tax owed by TopCo), but excluding income taxes attributable to distributions (or allocations of income with respect to distributions) pursuant to Section 5.3(b);

(ii) any operating, administrative and other similar costs incurred by TopCo (including (A) fees and expenses related to any audit of TopCo, (B) fees or other charges of TopCo related to the making of tax, regulatory and other filings, or rendering of periodic or other reports to any Governmental Authority or other agencies having jurisdiction over the business or assets of TopCo, (C) fees and expenses incurred by TopCo related to public or investor relations, (D) fees payable to the directors of TopCo, (E) payments in respect of indebtedness and equity securities of TopCo to the extent the proceeds are used or will be used by TopCo to pay expenses or other obligations described in this Section 5.3(a) (in each case only to the extent economically equivalent indebtedness or equity securities of the Partnership were not issued to TopCo), (F) indemnification obligations of TopCo owing to directors, officers, employees or other persons under TopCo's articles, charter, by-laws or other constating documents or pursuant to written agreements with any such person, (G) obligations of TopCo in respect of director and officer insurance (including premiums therefor), and (H) payments pursuant to any legal, tax, accounting and other professional fees and expenses incurred by TopCo);

(iii) any judgments, settlements, penalties, fines or other costs and expenses in respect of any claims against, or any litigation or proceedings involving, TopCo;

(iv) fees and expenses (including any underwriters commissions) related to any securities offering, investment or acquisition transaction (whether or not successful) authorized by the board of directors of TopCo, including any payments required to be made by Topco pursuant to the terms of the Registration Rights Agreement, but excluding any selling or underwriting discounts or commissions or other expenses that are netted out pursuant to Section 3.4(b)(i) in determining the amount of the TopCo contribution pursuant to such Section;

(v) other fees and expenses in connection with the maintenance of the existence of TopCo (including any costs or expenses associated with being a public company listed on a National Securities Exchange and compliance with applicable Laws or the requirements of a Governmental Authority); and

(vi) any payments required to be made by TopCo pursuant to the terms of the Transaction Agreement or the Investor Rights Agreements.

For the avoidance of doubt, distributions made under this Section 5.3(a) may not be used to pay or facilitate dividends or distributions on the TopCo Shares and must be used solely for one of the express purposes set forth pursuant to the immediately preceding sentence.

(b) Pro Rata Distributions. After making any distributions required pursuant to Sections 5.3(a) and any distributions that have been deferred pursuant to clause (b) of the proviso to the first sentence of Section 5.4, the General Partner may, in its sole discretion, from time to time in such amounts as it shall determine, cause distributions to be made by the Partnership to the Partners pro rata in accordance with their Percentage Interests, provided that:

(i) prior to the Merger Effective Time, the first $1,000 of distributions shall be made to the holders of the Class X Units and the balance shall be made to the General Partner and the holders of the Class C Exchangeable Units in proportion to their respective Capital Accounts; and

(ii) after the Merger Effective Time, if no Exchangeable Units are Outstanding, such further distributions shall be made 99.999% to the General Partner and 0.001% to the holder of the Class D Units.[1]

5.4 Tax Distributions

In the event any Partner other than TopCo that is subject to U.S. federal income tax has Net Cumulative Taxable Income that exceeds zero, then on the next applicable Tax Distribution Date, the Partnership shall distribute to each Partner, whether or not such Partner is subject to U.S. federal income tax, its Assumed Tax Liability, less all prior distributions pursuant

1 **Note to Draft**: We expect TopCo to adopt a dividend policy to immediately distribute out all of the 5.5 and (c) distributions in order to avoid "double dipping" by the Unit holders.

to Section 5.3 and this Section 5.4 paid in respect of such Partner's Units, provided, however, that (a) TopCo shall be entitled to a distribution under this section only to the extent and in the amount that its Assumed Tax Liability exceeds the total of all amounts previously distributed to TopCo under Section 5.3 and this Section 5.4 and (b) the board of directors of the General Partner may in its sole discretion, after due consideration of and in accordance with the General Partner's GP Duties, defer any distribution pursuant to this Section 5.4, as set forth in the following sentence. With respect to any distribution that is deferred pursuant to clause (b) of the proviso to the preceding sentence, (i) such deferred distribution must be paid prior to or simultaneously with any distributions pursuant to Section 5.3(b), and no distribution shall be paid pursuant to Section 5.3(b) prior to the payment of such deferred distributions, and (ii) upon the payment of any such deferred distribution, the amount of such deferred distribution shall be increased at an annual rate of 10.0%, compounded daily, from the date on which such distribution would have otherwise been paid to the date on which such distribution is actually paid. Upon the exchange by a Partner of any Units for TopCo Shares, which exchange is completed following the deferral of any distribution pursuant to clause (b) of the proviso to the first sentence of this Section 5.4 but prior to the payment in full of such deferred distribution, this Section 5.4 shall survive with respect to such Person, for the benefit of such Person. Without limiting the foregoing, the General Partner will use its reasonable best efforts not to take any action, or do any thing, that would reasonably be expected to result in a distribution becoming payable pursuant to this Section 5.4 (without regard for any determination that may be made by the board of directors of the General Partner to defer such distribution pursuant to clause (b) of the proviso to the first sentence of this Section 5.4).

5.5 <u>Distribution Mechanics</u>

(a) The General Partner shall cause the Partnership or any of its Affiliates to comply with any withholding requirements established under the Code (including pursuant to Sections 1441, 1442, 1445, 1446 and 3406), the Tax Act, or any other federal, state, provincial, territorial, local or foreign Law. To the extent that the Partnership is required to withhold and pay over to any taxing authority any amount resulting from the allocation or distribution of income to any Partner, or to the extent that any payments made to the Partnership are subject to withholding as a result of such payments being attributable to any particular Partner, the General Partner may treat the amount withheld as a distribution of cash to such Partner in the amount of such withholding from or in respect of such Partner. In any such case, unless such amount was withheld from amounts otherwise distributable to such Partner hereunder, it shall be treated as an advance to such Partner which shall be repayable on demand and if not repaid may be set off against subsequent distributions to such Partner.

(b)

(i) Notwithstanding the foregoing in this Section 5.5(a), the following provisions shall apply in respect of U.S. withholding taxes. If the Partnership has registered as a "withholding foreign partnership" as defined in Section 1.1441-5(c)(2)(ii) of the Treasury Regulations under the Code, provided a Limited Partner has delivered to the General Partner a properly executed IRS Form W-8BEN-E, IRS Form W-8ECI, IRS Form W-8EXP, or other documentation reasonably acceptable to the General Partner evidencing the Limited Partner's exemption from U.S. withholding tax with respect to U.S. source interest or dividend income of the Partnership, the General Partner shall take such documentation into account and shall cause the Partnership not to withhold on any allocation of such income to the Limited Partner to the extent permitted to do so by applicable Law. If the Partnership has not registered as a withholding foreign partnership, the General Partner shall forward the IRS Form(s) W-8 supplied by the Limited Partner, along with IRS Form W-8IMY, to the relevant U.S. withholding agent in order to allow the Limited Partner to claim the benefit of any applicable exemption from U.S. withholding tax.

(ii) The General Partner further agrees that, to the extent it is able to do so under applicable Law and provided that a Limited Partner has delivered to the General Partner evidence that is satisfactory to the General Partner, acting reasonably, that it is a resident of Canada for purposes of the Tax Act, the General Partner shall use commercially reasonable efforts to ensure that no Canadian federal tax is withheld from payments made to the Partnership that are attributable to such Canadian resident Limited Partner, including without limitation providing Canada Revenue Agency Form NR302 to the payer if required by applicable Law or requested by the payer. The General Partner acknowledges that it has received evidence satisfactory to it that Rover is a resident of Canada for purposes of the Tax Act, and Rover agrees to confirm same to the General Partner if requested in writing.

(c) In the event of the dissolution of the Partnership, all receipts received during or after the Fiscal Year quarter in which the liquidation of the Partnership occurs shall be applied and distributed solely in accordance with, and subject to the terms and conditions of, Section 13.3.

(d) To the extent requested in writing by a holder of Exchangeable Units at least 10 Business Days prior to the record date for any dividend or distribution pursuant to Section 5.3(b) or 5.4, the Partnership shall convert any dividend or distribution to be paid in Canadian dollars into United States dollars at such exchange rate as it is able to obtain. The Partnership shall not be liable for any currency exchange rate obtained in good faith.

(e) Each distribution in respect of a Partnership Interest shall be paid by the Partnership, directly or through the Registrar and Transfer Agent or through any other Person or agent, only to the Record Holder of such Partnership Interest as of the Record Date set for such distribution. Such payment shall constitute full payment and satisfaction of the Partnership's liability in respect of such payment, regardless of any claim of any Person who may have an interest in such payment by reason of an assignment or otherwise.

(f) Notwithstanding any provision to the contrary contained in this Agreement, the Partnership, and the General Partner on behalf of the Partnership, shall not be required to make a distribution to a Partner or a Record Holder if such distribution would violate the Act or other applicable Law.

ARTICLE 6
WITHDRAWAL OF CAPITAL CONTRIBUTIONS

6.1 Withdrawal

No Limited Partner has the right to withdraw any of the Limited Partner's Capital Contribution or other amount or to receive any cash or other distribution from the Partnership except as provided for in this Agreement and except as permitted by Law.

ARTICLE 7
POWERS, DUTIES AND OBLIGATIONS OF GENERAL PARTNER

7.1 Duties and Obligations

(a) The General Partner has:

(i) unlimited liability for the debts, liabilities and obligations of the Partnership;

(ii) subject to the terms of this Agreement and to any applicable limitations set out in the Act and applicable similar legislation in Canada, the full and exclusive right, power and authority to manage, control, administer and operate the business and affairs and to make decisions regarding the undertaking and business of the Partnership; and

(iii) the full and exclusive right, power and authority to do any act, take any proceeding, make any decision and execute and deliver any instrument, deed, agreement or document necessary for or incidental to carrying out the business of the Partnership for and on behalf of and in the name of the Partnership.

(b) An action taken by the General Partner on behalf of the Partnership is deemed to be the act of the Partnership and binds the Partnership.

(c) In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner (including the General Partner) of any action taken (or not taken) by it. The General Partner and the Partnership shall not have any liability to a Limited Partner for monetary damages or otherwise for losses sustained, liabilities incurred or benefits not derived by such Limited Partner in connection with such decisions so long as the General Partner has acted pursuant to its authority under this Agreement.

7.2 Specific Powers and Duties

(a) Without limiting the generality of Section 7.1, Section 14.2 and the other terms of this Agreement and Section 3.01 of the Investor Rights Agreements, the General Partner will have full power and authority for and on behalf of and in the name of the Partnership to do all things and on such terms as it determines, in its sole discretion, to be necessary or appropriate to conduct the business of the Partnership, including without limitation the following:

(i) negotiate, execute and perform all agreements, conveyances or other instruments which require execution by or on behalf of the Partnership involving matters or transactions with respect to the Partnership's business (and those agreements may limit the liability of the Partnership to the assets of the Partnership, with the other party to have no recourse to the assets of the General Partner, even if the same results in the terms of the agreement being less favourable to the Partnership);

(ii) open and manage bank accounts in the name of the Partnership and spend the capital of the Partnership in the exercise of any right or power exercisable by the General Partner under this Agreement;

(iii) mortgage, charge, assign, hypothecate, pledge or otherwise create a security interest in all or any property of the Partnership and its Subsidiaries now owned or later acquired, to secure any present and future borrowings and related expenses of the Partnership and its Subsidiaries and to sell all or any of that property pursuant to a foreclosure or other realization upon the foregoing encumbrances;

(iv) manage, control and develop all the activities of the Partnership and take all measures necessary or appropriate for the business of the Partnership or ancillary to the business and may, from time to time, in its sole discretion propose combinations with other partnerships or other entities, which proposal(s) will be subject to requisite approval by the Partners;

(v) incur all costs and expenses in connection with the Partnership;

(vi) employ, retain, engage or dismiss from employment, personnel, agents, representatives or professionals or other investment participants with the powers and duties upon the terms and for the compensation as in the discretion of the General Partner may be necessary or advisable in the carrying on of the business of the Partnership;

(vii) engage agents, including any Affiliate or Associate of the General Partner, to assist it to carry out its management obligations to the Partnership or subcontract administrative functions to the General Partner or any Affiliate or Associate of the General Partner, including, without limitation, the Registrar and Transfer Agent;

(viii) invest cash assets of the Partnership that are not immediately required for the business of the Partnership in short term investments;

(ix) act as attorney in fact or agent of the Partnership in disbursing and collecting moneys for the Partnership, paying debts and fulfilling the obligations of the Partnership and handling and settling any claims of the Partnership;

(x) commence or defend any action or proceeding in connection with the Partnership and otherwise engage in the conduct of litigation, arbitration or mediation and incur legal expense and the settlement of claims and litigation:

(xi) the making of any expenditures, the lending or borrowing of money, the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness and the incurring of any other obligations;

(xii) the making of tax, regulatory and other filings, or rendering of periodic or other reports to any Governmental Authority or other agencies having jurisdiction over the business or assets of the Partnership;

(xiii) the acquisition, disposition, mortgage, pledge, encumbrance, hypothecation or exchange of any or all of the assets of the Partnership or the merger or other combination of the Partnership with or into another Person;

(xiv) the use of the assets of the Partnership (including cash on hand) for any purpose consistent with the terms of this Agreement, including the lending of funds to other Persons; the repayment or guarantee of obligations of any Group Member and the making of capital contributions to any Group Member;

(xv) the formation of, or acquisition of an interest in, and the contribution of property and the making of loans to, any further limited or general partnerships, joint ventures, limited liability companies, corporations or other relationships (including the acquisition of interests in, and the contributions of property to, the Partnership's Subsidiaries from time to time);

(xvi) retain legal counsel, experts, advisors or consultants as the General Partner consider appropriate and rely upon the advice of those Persons;

(xvii) appoint the Registrar and Transfer Agent;

(xviii) do anything that is in furtherance of or incidental to the business of the Partnership or that is provided for in this Agreement;

(xix) obtain any insurance coverage for the benefit of the Partnership, the Partners and Indemnitees;

(xx) the indemnification of any Person against liabilities and contingencies to the extent permitted by Law;

(xxi) the purchase, sale or other acquisition or disposition or exchange of Partnership Interests or options, rights, warrants or appreciation rights relating to Partnership Interests;

(xxii) the undertaking of any action in connection with the Partnership's participation in the management of the Partnership Group through its directors, officers or employees or the Partnership's direct or indirect ownership of the Group Members;

(xxiii) engage, retain, remove or replace the Tabulation Agent;

(xxiv) carry out the objects, purposes and business of the Partnership; and

(xxv) execute, acknowledge and deliver the documents necessary to effectuate any or all of the foregoing or otherwise in connection with the business of the Partnership.

(b) No Persons dealing with the Partnership will be required to enquire into the authority of the General Partner to do any act, take any proceeding, make any decision or execute and deliver any instrument, deed, agreement or document for or on behalf of or in the name of the Partnership. The General Partner may insert or cause agents of the Partnership to insert, the following clause in any contracts or agreements to which the Partnership is a party or by which it is bound:

"Telesat Partnership LP is a limited partnership formed under the *Limited Partnerships Act* (Ontario), a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital and the limited partner's share of any undistributed income and no personal recourse may be had against any limited partner."

7.3 <u>Loans from the General Partner; Loans or Contributions from the Partnership; Contracts with Affiliates; Certain Restrictions on the General Partner</u>

(a) The General Partner or any of its Affiliates may, but shall be under no obligation to, lend to any Group Member, and any Group Member may borrow from the General Partner or any of its Affiliates, funds needed or desired by the Group Member for such periods of time and in such amounts as the General Partner may determine, in its discretion.

(b) Any Group Member (including the Partnership) may lend or contribute to any other Group Member, and any Group Member may borrow from any other Group Member (including the Partnership), funds on terms and conditions determined by the General Partner. The foregoing authority shall be exercised by the General

Partner in its sole discretion and shall not create any right or benefit in favor of any Group Member or any other Person.

(c) The General Partner may itself, or may enter into an agreement with any of its Affiliates (with respect to any such Affiliate who is not the General Partner or any Subsidiary of the General Partner, with prior Special Approval) to, render services to a Group Member or to the Partnership in the discharge of its duties as general partner of the Partnership. For the avoidance of doubt, the provisions of Section 5.3(a) shall apply to the rendering of services described in this Section 7.3(c).

(d) The Partnership may transfer assets to joint ventures, other partnerships, corporations, limited liability companies or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions as are consistent with this Agreement and applicable Law.

(e) The General Partner or any of its Affiliates (notwithstanding the proviso in this sentence, with respect to any such Affiliate who is not the General Partner or any Subsidiary of the General Partner, with prior Special Approval) may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, pursuant to transactions that are fair and reasonable to the Partnership; provided however that the requirements of this Section 7.4(e) conclusively shall be deemed to be satisfied and not a breach of any duty hereunder or existing at law, in equity or otherwise as to (i) any transaction approved by Special Approval, (ii) any transaction, the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties, or (iii) any transaction that is fair and reasonable to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Partnership). With respect to any contribution of assets to the Partnership in exchange for Partnership Interests or options, rights, warrants or appreciation rights relating to Partnership Interests, the General Partner, in determining whether the appropriate Partnership Interest or options, rights, warrants or appreciation rights relating to Partnership Interests are being issued, may take into account, among other things, the fair market value of the assets, the liquidated and contingent liabilities assumed, the tax basis in the assets, the extent to which tax-only allocations to the transferor will protect the existing partners of the Partnership against a low tax basis, and such other factors as the General Partner deems relevant under the circumstances.

7.4 <u>Title to Property</u>

The General Partner may hold legal title to any of the assets or property of the Partnership in its name as bare trustee for the benefit of the Partnership.

7.5 Exercise of Duties by the Board of Directors of the General Partner; General Partner Standard of Care

(a) Any action to be taken by the Partnership, that if the Partnership were a British Columbia corporation would require the approval of the corporation's board of directors, shall only be taken with the approval of the board of directors of the General Partner.

(b) The General Partner acknowledges and agrees that it will owe the same duties to the Partnership and the Limited Partners that the board of directors of a British Columbia company owes to that company and its shareholders pursuant to paragraphs 142(1)(a) and 142(1)(b) of the BCBA (the "**GP Duties**"), and such additional non-waivable duties as may be provided under the Act. Furthermore, subject to applicable Law or the listing rules of any applicable securities exchange, the General Partner covenants that it will maintain the confidentiality of financial and other information and data which it may obtain through or on behalf of the Partnership, the disclosure of which may adversely affect the interests of the Partnership or a Limited Partner.

7.6 Limitation of Liability

(a) The General Partner is not personally liable for the return of any Capital Contribution made by a Limited Partner to the Partnership. Moreover, notwithstanding anything else contained in this Agreement, but subject to Section 2.9, neither the General Partner nor its officers, directors, shareholders, employees or agents are liable, responsible for or accountable in damages or otherwise to the Partnership or a Limited Partner for an action taken or failure to act on behalf of the Partnership within the scope of the authority conferred on the General Partner by this Agreement or by Law unless the act or omission was performed or omitted in breach of the GP Duties.

(b) To the extent that the board of directors of the General Partner is found to have breached its duties or obligations owed to the holders of TopCo Shares, the General Partner will be deemed to have breached its duties or obligations, as applicable, owed to the holders of Exchangeable Units pursuant to this Section 7.6 and in the event that a remedy is provided to the holders of TopCo Shares, an equivalent remedy shall be afforded to the holders of Exchangeable Units to the maximum extent possible.

7.7 Indemnity of General Partner

(a) To the fullest extent permitted by Law but subject to the limitations expressly provided in this Agreement, the General Partner, a Departing Partner, any Person who is or was an Affiliate of the General Partner or any Departing Partner, any Person who is or was an officer, director, employee, partner, agent or trustee of the General Partner or any Departing Partner or any Affiliate, or any Person who is or was serving at the request of the General Partner or any Departing Partner or any

Affiliate as a director, officer, employee, partner, agent or trustee of another Person (collectively, an "**Indemnitee**") will be indemnified and held harmless by the Partnership from and against any and all losses, claims, damages, liabilities joint or several expenses (including, without limitation, legal fees and expenses on a solicitor/client basis), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, in which any Indemnitee may be involved, or is threatened to be involved, as a party or otherwise, by reason of its status as:

(i) the General Partner, a Departing Partner or any of their Affiliates; or

(ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or any of their Affiliates as a director, office, employee, agent or trustee of another Person;

provided, that

(iii) in each case the Indemnitee acted honestly and in good faith with a view to the best interest of the Partnership and, in the case of the General Partner, in accordance with the GP Duties;

(iv) in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, the Indemnitee had reasonable grounds for believing its conduct was lawful; and

(v) no indemnification pursuant to this Section 7.8 will be available to an Indemnitee where the Indemnitee has been adjudged by a final decision of a court of competent jurisdiction that is no longer appealable to have been in breach of, or negligent in the performance of, its obligations under this Agreement.

Any indemnification pursuant to this Section 7.7(a) will be made only out of the assets of the Partnership.

(b) To the fullest extent permitted by Law, expenses (including, without limitation, legal fees and expenses) incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding will, from time to time, be advanced by the Partnership prior to the final disposition of any claim, demand, action, suit or proceeding upon receipt by the Partnership of an undertaking by or on behalf of the Indemnitee to repay that amount if it is determined that the Indemnitee is not entitled to be indemnified as authorized in this Section 7.8.

(c) The indemnification provided by this Section 7.8 will be in addition to any other rights to which an Indemnitee may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of Law or otherwise, as to actions in the Indemnitee's capacity as:

(i) the General Partner, a Departing Partner or any of their Affiliates;

(ii) an officer, director, employee, partner, agent or trustee of the General Partner, any Departing Partner or any of their Affiliates; or

(iii) a Person serving at the request of the General Partner, any Departing Partner or any of their Affiliates as a director, officer, employee, agent or trustee of another Person,

and will continue as to an Indemnitee who has ceased to serve in that capacity and as to action in any other capacity.

(d) The Partnership may purchase and maintain (or reimburse the General Partner or its Affiliates for the cost of) insurance, on behalf of those Persons (other than the General Partner itself) as the General Partner determines, against any liability that may be asserted against or expense that may be incurred by that Person in connection with the Partnership's activities, whether or not the Partnership would have the power to indemnify those Persons against those liabilities under the provisions of this Agreement.

7.8 <u>Other Matters Concerning the General Partner</u>

(a) The General Partner may rely and will be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors selected by it, and any act taken or omitted in reliance upon the opinion (including, without limitation, an opinion of counsel) of any of those Persons as to matters that the General Partner reasonably believes to be within that Person's professional or expert competence will be conclusively presumed to have been done or omitted in good faith and in accordance with that opinion.

(c) The General Partner has the right, in respect of any of its power, authority or obligations under this Agreement, to act through any of its duly authorized officers.

(d) Any standard of care or duty imposed under the Act or any applicable Law will be modified, waived or limited to the extent legally permissible as required to permit the General Partner to act under this Agreement or any other agreement contemplated by this Agreement and to make any decision pursuant to the power or authority prescribed in this Agreement, subject only to the GP Duties.

(e) Notwithstanding anything to the contrary in this Agreement, to the extent legally permissible and provided that the General Partner at such time is a Person other than TopCo or a TopCo Successor, (i) it shall be deemed not to be a breach of the GP Duties to engage in such business interests and activities in preference to or to the exclusion of any Group Member, (ii) the General Partner shall have no obligation hereunder or as a result of any duty otherwise existing at Law or otherwise to present business opportunities to any Group Member and (iii) the doctrine of "corporate opportunity" or other analogous doctrine shall not apply to the General Partner.

7.9 Indemnity of Partnership

The General Partner hereby indemnifies and holds harmless the Partnership and each Limited Partner from and against all costs, expenses, damages or liabilities suffered or incurred by the Partnership or any Limited Partner by reason of an act of willful misconduct or gross negligence by the General Partner or of any act or omission not believed by the General Partner in good faith to be within the scope of the authority conferred on the General Partner by this Agreement.

7.10 Restrictions upon the General Partner

The General Partner will not:

(a) dissolve the affairs of the Partnership except in accordance with the provisions of Article 12; or

(b) do any act prohibited by the Act.

7.11 Employment of an Affiliate or Associate

The General Partner may itself, or may enter into an agreement with any of its Affiliates (notwithstanding the proviso in this sentence, with respect to any such Affiliate who is not the General Partner or any Subsidiary of the General Partner, with prior Special Approval) to, render services to a Group Member or to the General Partner in the discharge of its duties as general partner of the Partnership. Any services rendered to a Group Member by the General Partner or any of its Affiliates shall be on terms that are fair and reasonable to the Partnership; provided however that the requirements of this Section 7.12 conclusively shall be deemed satisfied and not a breach of any duty hereunder or existing at Law or otherwise as to any transaction (i) approved by Special Approval, (ii) the terms of which are no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) that is fair and reasonable to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Partnership).

7.12 No Removal of the General Partner

The General Partner may not be removed as general partner of the Partnership.

7.13 Voluntary Withdrawal of the General Partner

The General Partner covenants and agrees in favor of the Partnership that, so long as any outstanding Exchangeable Units are owned by any Person other than the General Partner or any of its Subsidiaries, except as provided in Section 7.18, the General Partner will not voluntarily cease to be the sole general partner of the Partnership.

7.14 Condition Precedent

As a condition precedent to the resignation of the General Partner, the Partnership will pay all amounts payable by the Partnership to the General Partner pursuant to this Agreement accrued to the date of resignation net of any claims or liabilities of the General Partner to the Partnership.

7.15 Transfer to New General Partner

On the admission of a new general partner to the Partnership on the resignation of the General Partner, the resigning General Partner will do all things and take all steps to transfer the administration, management, control and operation of the business of the Partnership and the books, records and accounts of the Partnership to the new general partner, transfer title to the Partnership's property to the new general partner and will execute and deliver all deeds, certificates, declarations and other documents necessary or desirable to effect that transfer in a timely fashion.

7.16 Release By Partnership

On the resignation of the General Partner, the Partnership will release and hold harmless the General Partner resigning from any costs, expenses, damages or liabilities suffered or incurred by the General Partner (in its capacity as such, but not in its capacity as TopCo) as a result of or arising out of events which occur in relation to the Partnership after that resignation.

7.17 New General Partner

A new general partner will become a party to this Agreement by signing a counterpart of this Agreement and will agree to be bound by all of the provisions of this Agreement and to assume the obligations, duties and liabilities of the General Partner under this Agreement as from the date the new general partner becomes a party to this Agreement.

7.18 Transfer of General Partner Interest

Subject to Section 7.18 and Section 11.1, the General Partner may, without the approval of the Limited Partners (but with prior Special Approval) transfer all, but not less than all, of the General Partner's Partnership Interests:

(a) to a Subsidiary of the General Partner;

(b) in connection with the General Partner's merger or amalgamation with or into another entity; or

(c) to the purchaser of all or substantially all of the General Partner's assets,

provided that, in all cases, the transferee assumes the rights and duties of the General Partner and agrees to be bound by the provisions of this Agreement.

7.19 <u>Resolution of Conflict of Interests</u>

(a) Unless otherwise expressly provided in this Agreement, whenever a potential conflict of interest exists or arises between the General Partner or any of its Affiliates, on the one hand, and the Partnership, any Group Member or any Partner (other than the General Partner), on the other, any resolution or course of action by the General Partner or its Affiliates in respect of such conflict of interest shall be permitted and deemed approved by all Partners, and shall not constitute a breach of this Agreement, or any agreement contemplated herein or therein, or of any duty hereunder or existing at Law or otherwise, if the resolution or course of action in respect of such conflict of interest is (i) approved by Special Approval, (ii) on terms no less favorable to the Partnership than those generally being provided to or available from unrelated third parties or (iii) fair and reasonable to the Partnership, taking into account the totality of the relationships between the parties involved (including other transactions that may be or have been particularly favorable or advantageous to the Partnership). The General Partner shall be authorized but not required in connection with its resolution of such conflict of interest to seek Special Approval of such resolution, and the General Partner may (if the conflict of interest involves an Affiliate of the General Partner who is not the General Partner or any Subsidiary of the General Partner, with Special Approval) also adopt a resolution or course of action that has not received Special Approval. Failure to seek Special Approval shall not be deemed to indicate that a conflict of interest exists or that Special Approval could not have been obtained.

(b) Notwithstanding any other provision of this Agreement or otherwise applicable provision of Law, whenever in this Agreement or any other agreement contemplated hereby or otherwise the General Partner, in its capacity as the general partner of the Partnership, is permitted to or required to make a decision in its “sole discretion” or “discretion” or that it deems “necessary or appropriate” or “necessary or advisable” or under a grant of similar authority or latitude, then the General Partner, or such Affiliates causing it to do so, shall, to the fullest extent permitted by Law, make such decision in its sole discretion (regardless of whether there is a reference to “sole discretion” or “discretion”), but subject to the GP Duties, and shall not be subject to any other or different standards imposed by this Agreement, any other agreement contemplated hereby, under the Act or under any other Law. Whenever in this Agreement or any other agreement contemplated hereby or otherwise the General Partner is permitted to or required to make a decision in its “good faith” then for purposes of this Agreement, the General Partner, or any of its Affiliates that cause it to make any such decision, shall be conclusively presumed to be acting in good faith if such Person or Persons subjectively believe(s) that the decision made or not made is not inconsistent with the GP Duties.

(c) Whenever the General Partner makes a determination or takes or declines to take any other action, or any of its Affiliates causes it to do so, in its individual capacity as opposed to in its capacity as a general partner of the Partnership, whether under this Agreement or any other agreement contemplated hereby or otherwise, then the General Partner, or such Affiliates causing it to do so, are entitled, to the fullest extent permitted by Law, to make such determination or to take or decline to take such other action free of any duty (including any fiduciary duty) or obligation whatsoever to the Partnership, any Limited Partner, any Record Holder or any other Person bound by this Agreement, and the General Partner, or such Affiliates causing it to do so, shall not, to the fullest extent permitted by Law, be required to act pursuant to any other standard imposed by this Agreement, any other agreement contemplated hereby or under the Act or any other Law.

(d) Notwithstanding anything to the contrary in this Agreement, the General Partner and its Affiliates shall have no duty or obligation, express or implied, to (i) sell or otherwise dispose of any asset of the Partnership Group other than in the ordinary course of business or (ii) permit any Group Member to use any facilities or assets of the General Partner and its Affiliates, except as may be provided in contracts entered into from time to time specifically dealing with such use. Any determination by the General Partner or any of its Affiliates to enter into such contracts shall be in its sole discretion.

(e) Except as expressly set forth in this Agreement, to the fullest extent permitted by Law, neither the General Partner nor any other Indemnitee shall have any duties or liabilities, including fiduciary duties, to the Partnership, any Limited Partner or any other Person bound by this Agreement (except in the case of the General Partner for the GP Duties), and the provisions of this Agreement, to the extent that they restrict or otherwise modify or eliminate the duties and liabilities, including fiduciary duties, of the General Partner or any other Indemnitee otherwise existing at Law, are agreed by the Partners to replace such other duties and liabilities of the General Partner (except for the GP Duties) or such other Indemnitee.

(f) The Limited Partners hereby authorize the General Partner, on behalf of the Partnership as a partner or member of a Group Member, to approve of actions by the general partner or managing member of such Group Member similar to those actions permitted to be taken by the General Partner pursuant to this Section 7.20.

(g) The Limited Partners expressly acknowledge that except for the GP Duties, the General Partner is under no obligation to consider the separate interests of the Limited Partners (including, without limitation, the tax consequences to Limited Partners) in deciding whether to cause the Partnership to take (or decline to take) any actions, and that, subject to the GP Duties, the General Partner shall not be liable for monetary damages for losses sustained, liabilities incurred or benefits not derived by Limited Partners in connection with such decisions.

ARTICLE 8
FINANCIAL INFORMATION

8.1 Books and Records

The General Partner will keep or cause to be kept at the principal office of the Partnership appropriate books and records with respect to the Partnership's business including the Record. Any books and records maintained by or on behalf of the Partnership in the regular course of its business, including, without limitation, books of account and records of Partnership proceedings, may be kept on, or be in the form of, computer disks, hard disks, magnetic tape, or any other information storage device, provided, that the books and records so maintained are convertible into clearly legible written form within a reasonable period of time.

8.2 Reports

The General Partner will forward to the Limited Partners all reports and financial statements which may be required under applicable securities legislation, or as the General Partner determines to be necessary or appropriate and, after the end of each Fiscal Year, an annual report containing audited financial statements of the Partnership together with the auditors' report on those financial statements.

8.3 Right to Inspect Partnership Books and Records

(a) In addition to other rights provided by this Agreement or by applicable Law, and except as limited by Section 8.3(b), each Limited Partner has the right, for a purpose reasonably related to that Limited Partner's own interest as a limited partner in the Partnership, upon reasonable demand and at that Limited Partner's own expense, to receive:

  (i) a current list of the name and last known address of each Limited Partner;

  (ii) copies of this Agreement, the Declaration of Limited Partnership, the Record and amendments to those documents;

  (iii) copies of all documents filed by the Partnership with a securities regulatory authority in Canada;

  (iv) copies of minutes of meetings of the Partners; and

  (v) any other information regarding the affairs of the Partnership as is just and reasonable.

(b) Notwithstanding Section 8.3(a), the General Partner may keep confidential from the Limited Partners for any period of time as the General Partner deems reasonable, any information of the Partnership (other than information referred to in Section 8.3(a)(ii)) which, in the reasonable opinion of the General Partner, should be kept confidential in the interests of the Partnership or that the Partnership is required by Law or by agreements with third parties to keep confidential.

8.4 Accounting Policies

The General Partner is authorized to establish from time to time accounting policies with respect to the financial statements of the Partnership and to change from time to time any policy that has been so established so long as those policies are consistent with the provisions of this Agreement and IFRS.

8.5 Appointment of Auditor

The General Partner will, on behalf of the Partnership, select the Auditor on behalf of the Partnership to review and report to the Partners upon the financial statements of the Partnership for, and as at the end of each Fiscal Year, and to advise upon and make determinations with regard to financial questions relating to the Partnership or required by this Agreement to be determined by the Auditor.

ARTICLE 9
TAX MATTERS

9.1 Tax Returns and Information

The General Partner shall use commercially reasonable efforts to timely file all tax returns of the Partnership that are required to be filed under applicable Law (including any U.S. or Canadian federal, provincial, territorial, state, or local tax returns). The General Partner shall use commercially reasonable efforts to furnish to all Partners necessary tax information as promptly as possible after the end of the Fiscal Year of the Partnership; provided, however, that delivery of such tax information may be subject to delay as a result of the late receipt of any necessary tax information from an entity in which the Partnership or any of its Subsidiaries holds an interest.

Each Limited Partner agrees to file all U.S. and Canadian federal, provincial, territorial, state and local tax returns required to be filed by it in a manner consistent with the information provided to it by the Partnership, unless otherwise required by applicable Law.

9.2 Tax Elections

The General Partner shall determine whether to make or refrain from making the election provided for in Section 754 of the Code, and any and all other elections permitted by the Code, the Tax Act, or under the tax Laws of any other relevant jurisdiction.

9.3 Tax Controversies

(a) Canadian and Other Non-US Income Tax Matters. Subject to the provisions hereof, the General Partner is authorized to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by Canadian and other non-U.S. tax authorities, including resulting administrative and judicial proceedings, and to expand Partnership funds for professional services and costs associated therewith. Each Partner agrees to cooperate with the General Partner and to do or refrain from doing any or all things reasonably required by the General Partner to conduct such proceedings.

(b) U.S. Federal Income Tax Matters.

(i) The TopCo Shareholder Representative shall be the "partnership representative" of the Partnership for purposes of Code Section 6223 and any corresponding provision of applicable federal, state, local and/or foreign Law (the "**Partnership Representative**"), and on behalf of the

Partnership, the General Partner (or its designee) shall be permitted to appoint any "designated individual" permitted under U.S. Treasury Regulations Sections 301.6223-1 and 301.6223-2 or any successor regulations or similar provisions of tax Law, and unless the context otherwise requires, any reference to the Partnership Representative in this Agreement includes any "designated individual." The Partnership Representative shall be entitled to be reimbursed by the Partnership for all out-of-pocket costs and expenses incurred as a result of acting as the Partnership Representative in connection with any proceeding involving the Partnership and to be indemnified by the Partnership (solely out of Partnership assets) with respect to any action brought against it as a result of acting as Partnership Representative in connection with the resolution or settlement of any such proceeding. Each Partner hereby agrees (i) to take such actions as may be required to effect the General Partner's designation as the Partnership Representative, and on behalf of the Partnership, the General Partner's (or its designee's) appointment of any "designated individual," and (ii) to cooperate to provide any information or take such actions as may be reasonably requested by the Partnership Representative in order to determine whether any Imputed Underpayment Amount may be modified pursuant to Code Section 6225(c) or any corresponding provision of applicable federal, state, local and/or foreign Law and/or to allow the Partnership to make any such modification. The provisions of this Section 9.3 and a Partner's obligation to comply with this Section 9.3 shall survive any liquidation and dissolution of the Partnership and the transfer, assignment or liquidation of such Partner's Partnership Interest.

(ii) The General Partner shall use its reasonable best efforts to (a) mitigate the economic burden to the Limited Partners of any final partnership adjustment, including by causing the Partnership to make an election under Section 6226(a)(1) of the Code or by following the procedures under Section 6225(c) of the Code to modify any imputed underpayment amount, and (b) allocate the economic burden of a final partnership adjustment (including any expenses related thereto) to the Partner(s) to whom such final partnership adjustment is attributable. Subject to the foregoing, the taking of any action and the incurring of any expense by the Partnership Representative in connection with any partnership audit, except to the extent required by Law, is a matter in the sole and absolute discretion of the Partnership Representative and the provisions relating to indemnification of the General Partner set forth in Section 7.8 shall be fully applicable to the Partnership Representative in its capacity as such. The Partnership Representative shall receive no compensation for its services. All third-party costs and expenses incurred by the Partnership Representative in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership. Nothing herein shall be construed to restrict the Partnership from engaging an accounting or law firm to assist the Partnership Representative in discharging its duties hereunder, so long as the compensation paid by the Partnership for such services is reasonable.

9.4 Treatment as a Partnership; Election to be Treated as a Corporation

Notwithstanding anything to the contrary contained herein, the Partnership will use its reasonable best efforts to undertake all necessary steps to preserve its status as a partnership for U.S. federal income tax purposes and will not undertake any activity or make any investment or fail to take any action that would (i) cause the Partnership to be classified as a "publicly traded partnership" as defined in Section 7704 of the Code or (ii) jeopardize its status as a partnership for U.S. federal income tax purposes.

ARTICLE 10
MEETINGS OF THE LIMITED PARTNERS

10.1 Meetings

The General Partner may call a general meeting of Partners at any time and place as it deems appropriate in its absolute discretion for the purpose of considering any matter set out in the notice of meeting.

10.2 Place of Meeting

Every meeting of Partners will be in Ottawa, Ontario or at any other place within or outside of Canada as the General Partner may designate.

10.3 Notice of Meeting

Notice of any meeting of Partners will be given to each Limited Partner not less than 21 days (but not more than 60 days) prior to the meeting, and will state:

(a) the time, date and place of the meeting; and

(b) in general terms, the nature of the business to be transacted at the meeting in sufficient detail to permit a Partner to make a reasoned decision on that business.

Notice of an adjourned meeting of Partners need not be given if the adjourned meeting is held within 14 days of the original meeting. Otherwise, but subject to Section 10.13, notice of adjourned meetings will be given not less than 21 days in advance of the adjourned meeting and otherwise in accordance with this section, except that the notice need not specify the nature of the business to be transacted if unchanged from the original meeting.

10.4 Record Dates

For the purpose of determining the Limited Partners who are entitled to vote or act at any meeting of Partners or any adjournment of a meeting, or for the purpose of any other action, the General Partner may from time to time cause the transfer books to be closed for a period, not exceeding 30 days, as the General Partner may determine or, without causing the transfer books to be closed, the

General Partner may fix a date not more than 60 days prior to the date of any meeting of Partners or other action as a record date for the determination of Limited Partners entitled to vote at that meeting or any adjournment of the meeting or to be treated as Limited Partners of record for purposes of any other action, and any Limited Partner who was a Limited Partner at the time so fixed will be entitled to vote at the meeting or any adjournment of the meeting even though that Limited Partner has since that date disposed of the Limited Partner's Units, and no Limited Partner becoming a Limited Partner after that fixed date will be a Limited Partner of record for purposes of that action. A Person will be a Limited Partner of record at the relevant time if the Person's name appears in the Record, as amended and supplemented, at that time.

10.5 Information Circular

If proxies are solicited from Limited Partners in connection with a meeting of Partners, the Person or Persons soliciting those proxies will prepare an information circular which will contain, to the extent that it is relevant and applicable, the information prescribed for information circulars by the *Securities Act* (Ontario) and applicable rules and regulations thereunder and the information prescribed for proxy statements pursuant to the U.S. Securities Exchange of 1934, as amended, and applicable rules and regulations thereunder.

10.6 Proxies

Any Limited Partner entitled to vote at a meeting of Partners may vote by proxy if a form of proxy has been received by the General Partner or the chairperson of the meeting for verification prior to the time fixed by the General Partner, which time will not exceed two Business Days preceding the meeting, or any adjournment of the meeting.

10.7 Validity of Proxies

A proxy purporting to be executed by or on behalf of a Limited Partner will be considered to be valid unless challenged at the time of or prior to its exercise. The Person challenging the proxy will have the burden of proving to the satisfaction of the chairperson of the meeting that the proxy is invalid and any decision of the chairperson concerning the validity of a proxy will be final. Proxies will be valid only at the meeting with respect to which they were solicited, or any adjournment of the meeting, but in any event will cease to be valid one year from their date. A proxy given on behalf of joint holders must be executed by all of them and may be revoked by any of them, and if more than one of several joint holders is present at a meeting and they do not agree which of them is to exercise any vote to which they are jointly entitled, they will, for the purposes of voting, be deemed not to be present. A proxy holder need not be a holder of a Unit.

10.8 Form of Proxy

Every proxy will be substantially in the form as may be approved by the General Partner or as may be reasonably satisfactory to the chairperson of the meeting at which it is sought to be exercised.

10.9 Revocation of Proxy

A vote cast in accordance with the terms of an instrument of proxy will be valid notwithstanding the previous death, incapacity, insolvency or bankruptcy of the Limited Partner giving the proxy or the revocation of the proxy unless written notice of that death, incapacity, insolvency, bankruptcy or revocation has been received by the chairperson of the meeting prior to the commencement of the meeting.

10.10 Corporations

A Limited Partner which is a corporation may appoint an officer, director or other authorized person as its representative to attend, vote and act on its behalf at a meeting of Partners.

10.11 Attendance of Others

Any officer or director of the General Partner, legal counsel for the General Partner and the Partnership and representatives of the Auditor will be entitled to attend any meeting of Partners. The General Partner has the right to authorize the presence of any Person at a meeting regardless of whether the Person is a Partner. With the approval of the General Partner that Person is entitled to address the meeting.

10.12 Chairperson

The General Partner may nominate a Person, including, without limitation, an officer or director of the General Partner, (who need not be a Limited Partner) to be chairperson of a meeting of Partners and the person nominated by the General Partner will be chairperson of that meeting unless the Partners elect another chairperson by Ordinary Resolution.

10.13 Quorum

A quorum at any meeting of Partners will consist of one or more Partners present in person or by proxy holding a majority of the voting power which may be exercised at such meeting. If, within half an hour after the time fixed for the holding of the meeting, a quorum for the meeting is not present, the meeting:

(a) if called by or on the requisition of Limited Partners, will be terminated; and

(b) if called by the General Partner, will be held at the same time and place on the day which is 14 days later (or if that date is not a Business Day, the first Business Day prior to that date). The General Partner will give three days' notice to Limited Partners of the date of the reconvening of the adjourned meeting and at the reconvened meeting the quorum will consist of the Partners then present in person or represented by proxy.

10.14 Voting

(a) Every question submitted to a meeting of Partners will be decided by an Ordinary Resolution on a show of hands unless otherwise required by this Agreement or a poll is demanded by a Partner, in which case a poll will be taken. In the case of an equality of votes, the chairperson will not have a casting vote and the resolution will be deemed to be defeated. The chairperson will be entitled to vote in respect of any Units held by the chairperson or for which the chairperson may be a proxyholder.

(b) On a poll, each Person present at the meeting will have one vote for each Unit entitled to vote in respect of which the Person is shown on the Record as a Partner at the record date and for each Unit in respect of which the Person is the proxyholder. Each Partner present at the meeting and entitled to vote at the meeting will have one vote on a show of hands. If Units are held jointly by two or more persons and only one of them is present or represented by proxy at a meeting of Unitholders, that Unitholder may, in the absence of the other or others, vote with respect those Units, but if more than one of them is present or represented by proxy, they will vote together on the whole Units held jointly. Where this Agreement or applicable Law only permits certain Units to be voted on a matter, only votes in respect of such Units will be recognized.

10.15 Poll

A poll requested or required will be taken at the meeting of Partners or an adjournment of the meeting in any manner as the chairperson directs.

10.16 Powers of Limited Partners; Resolutions Binding

The Limited Partners will have only the powers set out in this Agreement and any additional powers provided by Law. Subject to the foregoing sentence and Section 14.1, any resolution passed in accordance with this Agreement will be binding on each Partner and that Partner's respective heirs, executors, administrators, successors and assigns, whether or not that Partner was present in person or voted against any resolution so passed.

10.17 Conditions to Action by Limited Partners

The right of the Limited Partners to vote to amend this Agreement or to approve or initiate the taking of, or take, any other action at any meeting of Partners will not come into existence or be effective in any manner unless and until, prior to the exercise of any right or the taking of any action, the Partnership has received an opinion of counsel advising the Limited Partners (at the expense of the Partnership) as to the effect that the exercise of those rights or the taking of those actions may have on the limited liability of any Limited Partners other than those Limited Partners who have initiated that action, each of whom expressly acknowledges that the exercise of the right or the taking of the action may subject each of those Limited Partners to liability as a general partner under the Act or similar legislation in Canada.

10.18 Minutes

The General Partner will cause minutes to be kept of all proceedings and resolutions at every meeting and will cause all minutes and all resolutions of the Partners consented to in writing to be made and entered in books to be kept for that purpose. Any minutes of a meeting signed by the chairperson of the meeting will be deemed evidence of the matters stated in them and the meeting will be deemed to have been duly convened and held and all resolutions and proceedings shown in them will be deemed to have been duly passed and taken.

10.19 Additional Rules and Procedures

To the extent that the rules and procedures for the conduct of a meeting of the Partners are not prescribed in this Agreement, the rules and procedures will be determined by the General Partner.

10.20 Electronic Meetings

The General Partner may determine that a meeting of Partners shall be held entirely by means of telephone, electronic or other communications facilities that permit all participants to communicate with each other during the meeting. A meeting of Partners may also be held at which some, but not necessarily all, persons entitled to attend may participate by means of such communications facilities, if the General Partner determines to make them available. A person participating in a meeting by such means is deemed to be present at the meeting.

ARTICLE 11
SUCCESSORS OF THE GENERAL PARTNER

11.1 Certain Requirements in Respect of Combination, etc.

As long as any Exchangeable Units (other than those owned by the General Partner or its Subsidiaries) are Outstanding, the General Partner shall not consummate any transaction (whether by way of reconstruction, reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale, lease or otherwise) whereby all or substantially all of its undertaking, property and assets would become the property of any other Person or, in the case of an amalgamation, arrangement or merger, of the continuing corporation resulting therefrom, unless:

(a) such other Person or continuing corporation (such other Person or continuing corporation (or, in the event of an amalgamation, arrangement, merger or similar transaction pursuant to which holders of shares in the capital of the General Partner are entitled to receive shares or other ownership interests ("**Successor Securities**") in the capital of any corporation or other legal entity other than such other Person or continuing corporation, then such corporation or other legal entity in which holders of shares in the capital of the General Partner are entitled to receive an interest) is herein called the "**TopCo Successor**") by operation of law, becomes, without more, bound by the terms and provisions of this Agreement and the Voting Agreement or, if not so bound, executes, prior to or contemporaneously with the consummation of such transaction, an agreement supplemental hereto and such other instruments (if any) as are reasonably necessary or advisable to evidence the assumption by the TopCo Successor of all of the rights and obligations of the General Partner hereunder, including liability for all moneys payable and property deliverable hereunder and the covenant of such TopCo Successor to pay or cause to be paid and deliver or cause to be delivered the same and its agreement to observe and perform all the covenants and obligations of the General Partner under this Agreement;

(b) the approval under Article 23.2(f) of the TopCo Articles, if required, has been obtained; and

(c) such transaction shall be upon such terms and conditions as substantially to preserve and not to impair in any material respect any of the rights, duties, powers and authorities of the other parties hereunder.

Where the foregoing conditions are satisfied, all references herein to TopCo Shares shall be deemed to be references to the shares of the TopCo Successor which has assumed the obligations of the General Partner and all references to the General Partner shall be to the TopCo Successor, without amendment hereto or any further action whatsoever. For the avoidance of doubt, if a transaction described in this Section 11.1 results in holders of Exchangeable Units being entitled to exchange their Exchangeable Units for shares of a TopCo Successor in a different ratio than that set out herein, then this Agreement shall be deemed to be amended to refer to such different ratio(s). For the further avoidance of doubt, this Section 11.1 shall not apply to the transactions contemplated by the Transaction Agreement.

11.2 Vesting of Powers in Successor

Whenever the conditions of Section 11.1 have been duly observed and performed, the parties, if required by Section 11.1, shall execute and deliver the supplemental agreement provided for in Section 11.1(a) and thereupon the TopCo Successor shall possess and from time to time may exercise each and every right and power of the General Partner under this Agreement in the name of the General Partner or otherwise and any act or proceeding by any provision of this Agreement required to be done or performed by the General Partner's Board of Directors or any officers of the General Partner may be done and performed with like force and effect by the directors or officers of such TopCo Successor.

11.3 Wholly-Owned Subsidiaries

Nothing herein shall be construed as preventing the amalgamation or merger of any wholly-owned direct or indirect Subsidiary of the General Partner with or into the General Partner or the winding-up, liquidation or dissolution of any wholly-owned direct or indirect Subsidiary of the General Partner (other than the Partnership) provided that all of the assets of such Subsidiary are transferred to the General Partner or another wholly-owned direct or indirect Subsidiary of the General Partner or any other distribution of the assets of any wholly-owned direct or indirect Subsidiary of the General Partner among the shareholders of such Subsidiary, and any such transactions are expressly permitted by this Article 11.

ARTICLE 12
NOTICES

12.1 Address

Any notice or other written communication which must be given or sent under this Agreement will be given by first-class mail, electronic mail or personal delivery to the address of the General Partner and the Limited Partners as follows:

(a) in the case of the General Partner, Telesat Corporation, 160 Elgin Street, Suite 2100, Ottawa, Ontario, Canada K2P 2P7, Attention: Chris DiFrancesco, Email: CDiFrancesco@telesat.com; and

(b) in the case of Limited Partners, to the postal or electronic mail address inscribed in the Record, or any other new address following a change of address in conformity with Section 12.2.

12.2 <u>Change of Address</u>

A Limited Partner may, at any time, change the Limited Partner's postal or electronic mail address for the purposes of service by written notice to the General Partner which will promptly notify the Registrar and Transfer Agent, if different from the General Partner. The General Partner may change its address for the purpose of service by written notice to all the Limited Partners.

12.3 <u>Accidental Failure</u>

An accidental omission in the giving of, or failure to give, a notice required by this Agreement will not invalidate or affect in any way the legality of any meeting or other proceeding in respect of which that notice was or was intended to be given.

12.4 <u>Disruption in Mail</u>

In case of any disruption, strike or interruption in the Canadian postal service after mailing and before receipt or deemed receipt of a document, it will be deemed to have been received on the sixth Business Day following full resumption of the Canadian postal service.

12.5 <u>Receipt of Notice</u>

Subject to Section 12.4, notices given by first-class mail will be deemed to have been received on the third Business Day following the deposit of the notice in the mail, notices given by delivery will be deemed to have been received on the date of their delivery and notices given by electronic mail will be deemed to have been received when delivered, if sent to the recipient by electronic mail during normal business hours of the recipient, and otherwise on the next Business Day; <u>provided</u> that, if sent by electronic mail, the notice shall be confirmed by the same being sent by one of the other means contemplated by Section 12.1 (it being understood that delivery shall be effective in accordance with this Section 12.5).

12.6 <u>Undelivered Notices</u>

If the General Partner sends a notice or document to a Limited Partner in accordance with Section 12.1 and the notice or document is returned on three consecutive occasions because the Limited Partner cannot be found, the General Partner is not required to send any further notices or documents to the Limited Partner until the Limited Partner informs the General Partner in writing of the Limited Partner's new address.

ARTICLE 13
DISSOLUTION AND LIQUIDATION

13.1 Events of Dissolution

The Partnership will follow the procedure for dissolution established in Section 13.3 upon the occurrence of any of the following events or dates:

(a) the deemed removal of the sole General Partner unless the General Partner is replaced as provided in Sections 7.18 or 7.19;

(b) the sale, exchange or other disposition of all or substantially all of the property of the Partnership, if approved in accordance with this Agreement; or

(c) after the Merger Effective Time, no Exchangeable Units or Class D Units remain Outstanding.

13.2 No Dissolution

The Partnership will not come to an end by reason of the death, bankruptcy, insolvency, mental incompetency or other disability of any Limited Partner or upon transfer of any Units.

13.3 Procedure on Dissolution

Upon the occurrence of any of the events set out in Section 13.1, the General Partner (or in the event of an occurrence specified in Section 13.1(a), any other Person as may be appointed by resolution passed by a majority of the holders of the GP Units) will act as a receiver and liquidator of the assets of the Partnership and will:

(a) sell or otherwise dispose of that part of the Partnership's assets as the receiver considers appropriate;

(b) pay or provide for the payment of the debts and liabilities of the Partnership and liquidation expenses;

(c) if there are any assets of the Partnership remaining, distribute all property and cash as provided under Section 5.3; and

(d) file the declaration of dissolution prescribed by the Act and satisfy all applicable formalities in those circumstances as may be prescribed by the Laws of other jurisdictions where the Partnership is registered. In addition, the General Partner will give prior notice of any dissolution of the Partnership by mailing to each Limited Partner and to the Registrar and Transfer Agent a notice at least 21 days prior to the filing of the declaration of dissolution prescribed by the Act.

13.4 Dissolution

The Partnership will be dissolved upon the completion of all matters set out in Section 13.3.

13.5 No Right to Dissolve

No Limited Partner has the right to ask for the dissolution of the Partnership, for the winding-up of its affairs or for the distribution of its assets.

13.6 Agreement Continues

Notwithstanding the dissolution of the Partnership, this Agreement will not terminate until the provisions of Section 13.3 have been satisfied.

13.7 Capital Account Restoration

No Partner shall have any obligation to restore any negative balance in its Capital Account upon liquidation of the Partnership or otherwise.

ARTICLE 14
AMENDMENT

14.1 Power to Amend

Subject to Sections 14.2 and the rights of Exchangeable Units set forth in Schedule A, this Agreement or any part hereof, may be amended only in writing, with and only with the consent of all of the following: (i) the shareholders of TopCo by resolution passed by a simple majority of all votes cast at a meeting by holders entitled to vote at such meeting or by written consent of TopCo shareholders holding in the aggregate a majority of the outstanding TopCo shares; (ii) the holders of a majority of the Outstanding Units; (iii) the shareholders of TopCo (other than Rover and any Meteor Entity and their respective Affiliates and Associates) by resolution passed by a simple majority of all votes cast by such shareholders at a meeting by holders entitled to vote at such meeting or by written consent of such shareholders holding in the aggregate a majority of the outstanding TopCo shares (other than shares held by Rover and any Meteor Entity and their respective Affiliates and Associates) and (iv) the holders of a majority of the Outstanding Units (other than those beneficially owned by Rover, any Meteor Entity and their respective Affiliates and Associates); provided that:

(a) no amendment will be made to this Agreement which would have the effect of changing the Partnership from a limited partnership to a general partnership without the unanimous written consent of the Partners;

(b) no amendment will be made to this Agreement without the consent of the General Partner which would have the effect of adversely affecting the rights and obligations of the General Partner (other than an amendment to effect a dissolution of the Partnership pursuant to Section 13.1(a));

(c) no amendment to this Agreement may give any Person the right to dissolve the Partnership, other than the General Partner’s right to dissolve the Partnership pursuant to Section 13.1(b) and 13.1(c); and

(d) any amendment that disproportionately and adversely affects any individual, group or class of holders of Units as compared to other holders of Units shall require the consent of each holder of Units so disproportionately and adversely affected.

14.2 Amendment by General Partner

Each Limited Partner agrees that the General Partner (pursuant to its powers of attorney from the Limited Partners or as expressly provided in this Agreement), without the approval of any Limited Partner, may amend any provision of this Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection with that amendment, to reflect:

(a) a change in the name of the Partnership or the location of the principal place of business or the registered office of the Partnership;

(b) admission, substitution, withdrawal or removal of Limited Partners in accordance with this Agreement;

(c) a change that the General Partner, acting reasonably, determines is necessary to qualify or continue the qualification of the Partnership as a limited partnership which the Limited Partners have limited liability under the applicable laws;

(d) a change that, in the discretion of the General Partner, is reasonable and necessary or appropriate to enable Partners to take advantage of, or not be detrimentally affected by, changes, proposed changes or differing interpretations with respect to any of the Tax Act, the Code, U.S. Treasury Regulations, administrative pronouncements of the Internal Revenue Service and judicial decisions, or other taxation Laws;

(e) a change that the General Partner, acting reasonably, determines to be necessary to satisfy any requirements, conditions or guidelines contained in any Law;

(f) a change in the Fiscal Year or taxable year of the Partnership and any other changes that the General Partner determines to be necessary or appropriate as a result of a change in the Fiscal Year or taxable year of the Partnership;

(g) an amendment that the General Partner, acting reasonably, determines to be necessary or appropriate in connection with the creation, authorization or issuance of any class or series of Partnership Interests or options, rights, warrants or appreciation rights relating to Partnership Interests pursuant to Section 3.4; and

(h) any amendment expressly permitted in this Agreement to be made by the General Partner acting alone;

provided, that, the amendments set out in clauses (c), (d), (e), (g) and (h) of this Section 14.2 may only be made without the approval of any Limited Partner if approved by a majority of the Specially Designated Directors then in office.

From and after the Special Board Date (as defined in the Topco Articles), if neither any Meteor Entity nor Polaris is a 5% Holder (as defined in the Topco Articles), each Limited Partner agrees that the General Partner with the approval of the Topco board of directors (pursuant to its powers of attorney from the Limited Partners or as expressly provided in this Agreement), without the approval of any Limited Partner, may amend any provision of this Agreement, and execute, swear to, acknowledge, deliver, file and record whatever documents may be required in connection with that amendment, to reflect:

(a) a change to cure any ambiguity or to correct or supplement any provisions contained in this Agreement which may be defective or inconsistent with any other provision contained in this Agreement, in each case, that does not adversely affect the Limited Partners in any material respect;

(b) a change that the General Partner, acting reasonably, determines (i) to be necessary or appropriate to satisfy any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any Governmental Authority, or (ii) is required to effect the intent of the provisions of this Agreement or is otherwise contemplated by this Agreement that does not adversely affect the Limited Partners in any material respect;

(c) an amendment that is necessary, in the written opinion of outside counsel to the Partnership, to prevent the Partnership, or the General Partner or its directors, officers, trustees or agents from having a material risk of being in any manner subjected to the provisions of the U.S. Investment Company Act of 1940, as amended, the U.S. Investment Advisers Act of 1940, as amended, or "plan asset" regulations adopted under the U.S. Employee Retirement Income Security Act of 1974, as amended, regardless of whether such are substantially similar to plan asset regulations currently applied or proposed by the United States Department of Labor; or

(d) an amendment that the General Partner, acting reasonably, determines to be necessary or appropriate to reflect and account for the formation by the Partnership of, or investment by the Partnership in, any corporation, partnership, joint venture, limited liability company or other entity, in connection with the conduct by the Partnership of activities permitted by the terms of Section 2.2 that does not adversely affect the Limited Partners in any material respect.

14.3 Notice of Amendments

The General Partner will notify the Limited Partners in writing of the full details of any amendment to this Agreement, if any, within 30 days of the effective date of the amendment.

ARTICLE 15
MISCELLANEOUS

15.1 Binding Agreement

Subject to the restrictions on assignment and transfer contained in this Agreement, this Agreement will enure to the benefit of and be binding upon the parties to this Agreement and their respective heirs, executors, administrators and other legal representatives, successors and assigns.

15.2 Time

In connection with the exchange of Exchangeable Units for Exchanged Shares, time will be of the essence in this Agreement.

15.3 Counterparts

This Agreement, or any amendment to it, may be executed in multiple counterparts (including electronically), each of which will be deemed an original agreement. This Agreement may also be executed and adopted in any instrument signed by a Limited Partner with the same effect as if the Limited Partner had executed a counterpart of this Agreement. All counterparts and adopting instruments will be construed together and will constitute one and the same agreement.

15.4 Governing Law

This Agreement and the Schedules to this Agreement will be governed and construed exclusively according to the Laws of the Province of Ontario and the Laws of Canada applicable therein and the parties to this Agreement irrevocably attorn to the non-exclusive jurisdiction of the courts of the Province of Ontario.

15.5 Severability

If any part of this Agreement is declared invalid or unenforceable, then that part will be deemed to be severable from this Agreement and will not affect the remainder of this Agreement.

15.6 Further Acts

The parties will perform and cause to be performed any further and other acts and things and execute and deliver or cause to be executed and delivered any further and other documents as counsel to the Partnership considers necessary or desirable to carry out the terms and intent of this Agreement.

15.7 Entire Agreement

This Agreement constitutes the entire agreement among the parties to this Agreement with respect to the subject matter of this Agreement.

15.8 Limited Partner Not a General Partner

If any provision of this Agreement has the effect of imposing upon any Limited Partner (other than the General Partner) any of the liabilities or obligations of a general partner under the Act, that provision will be of no force and effect.

15.9 Amendment and Restatement of Original Limited Partnership Agreement

This Agreement amends, restates and replaces in its entirety the Original Limited Partnership Agreement.

15.10 Language of Agreement

The parties to this Agreement have expressly agreed that this Agreement be drawn in the English language. Les parties aux présentes ont expressément convenu que le présent contrat soit rédigé en anglais.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the parties to this Agreement have executed this Agreement as of the date first set out above.

TELESAT CORPORATION
in its own capacity and as General Partner of the Partnership and agent and attorney for the Leo Electing Stockholders

By: ______________________________
Name:
Title:

RED ISLE PRIVATE INVESTMENTS INC.

By: ______________________________
Name:
Title:

PUBLIC SECTOR PENSION INVESTMENT BOARD
solely for the limited purposes described herein

By: ______________________________
Name:
Title:

____
John Cashman

____
Colin Watson

____
Henry Intven

[Signature Page to Amended and Restated Limited Partnership Agreement]

SCHEDULE A

EXCHANGEABLE UNITS OF THE PARTNERSHIP

ARTICLE 1
DEFINITIONS

For the purposes of this Schedule A, unless the context otherwise requires, each term denoted herein by initial capital letters and not otherwise defined herein shall have the meanings ascribed thereto in Section 1.1 of the Agreement. The following definitions are applicable to the terms of the Exchangeable Units:

"**Class A Holder Votes**" has the meaning set out in Section 3.4(a)(i) of this Schedule A;

"**Class B Holder Votes**" has the meaning set out in Section 3.4(a)(ii) of this Schedule A;

"**Class Vote Proposal**" has the meaning set out in Section 3.4(e) of this Schedule A;

"**Combined Vote**" has the meaning set out in Section 3.4(b)(i) of this Schedule A;

"**Exchange Date**" means, for any exchange of Exchangeable Units, the Exchange Date specified in the applicable Exchange Notice, which date must be a Business Day and must not be less than two Business Days nor more than ten Business Days after the date upon which such Exchange Notice is delivered to the office of the Partnership. If no such Business Day is specified in an Exchange Notice, the Exchange Date shall be deemed to be the second Business Day after the date on which such Exchange Notice is received by the Partnership, and in the event the General Partner fails to deliver Exchanged Shares on such date, the Exchange Date shall be deemed to be the date on which such Exchanged Shares are delivered;

"**Exchange Notice**" means the notice in the form of Exhibit A hereto (with such changes as may be determined in good faith by the General Partner consistent with this Agreement) or in such other form as may be acceptable to the General Partner;

"**Exchange Right**" has the meaning set out in Section 2.1(a) of this Schedule A;

"**Exchanged Shares**" means, subject to Section 3.5(b): (i) in respect of a Class A Exchangeable Unit, one TopCo Class A Share; (ii) in respect of a Class B Exchangeable Unit, one TopCo Class B Share; and (iii) in respect of a Class C Exchangeable Unit, one TopCo Class C Fully Voting Share (or at the election of the holder, one TopCo Class C Limited Voting Share);

"**Exempt Exchangeable Voting Event**" means any matter in respect of which applicable Law provides holders of Exchangeable Units with a vote as holders of Units of the Partnership in order to approve or disapprove, as applicable, any change to, or any change in the rights of the holders of, the Exchangeable Units, where the approval or disapproval, as applicable, of such change would be required to maintain the economic equivalence of the Exchangeable Units and the TopCo Shares;

"**Holder Votes**" has the meaning set out in Section 3.4(a)(iii) of this Schedule A;

"**List**" has the meaning set out in Section 3.3 of this Schedule A;

"**TopCo Consent**" means any written consent sought from shareholders of TopCo;

"**TopCo Control Transaction**" shall be deemed to have occurred upon the consummation of a merger, amalgamation, arrangement or consolidation, of TopCo, other than any transaction which would result in the holders of outstanding voting securities of TopCo (assuming the exchange of all outstanding Exchangeable Units for Exchanged Shares) immediately prior to such transaction having at least a majority of the total voting power represented by the voting securities of the surviving entity outstanding immediately after such transaction, with the voting power of each such continuing holder relative to other continuing holders not being altered substantially in the transaction.

"**TopCo Meeting**" means any meeting of shareholders of TopCo at which holders of any or all classes of TopCo Shares are entitled to vote; and

"**Subject Units**" has the meaning set out in Section 2.1(b) of this Schedule A.

ARTICLE 2
EXCHANGE OF EXCHANGEABLE UNITS BY HOLDER

2.1 Exchange Right

(a) From and after the date that is six months following the date of the Merger Effective Time, a holder of Exchangeable Units shall, at any time and from time to time, have the right to require the Partnership to repurchase any or all of the Exchangeable Units held by such holder in exchange for, and in connection therewith the right to require TopCo to issue, the applicable Exchanged Shares (the "**Exchange Right**"); provided, however, that a holder of Exchangeable Units may exercise its Exchange Right at any time to effect a transfer to be effective immediately prior to (and if so elected by such holder, subject to) the closing of a TopCo Control Transaction so that such Exchanged Shares to be received by such holder in such repurchase will have the full right and power to participate in such Topco Control Transaction (and such right and power shall be expressly recognized and provided for in any agreement relating to any such Topco Control Transaction).

(b) To exercise the Exchange Right, the holder shall present and surrender at the office of the Partnership (or at any office of the Registrar and Transfer Agent as may be specified by the Partnership by notice to the holders of Exchangeable Units) a duly executed Exchange Notice together with such additional customary documents and instruments as the Registrar and Transfer Agent or the Partnership may reasonably require; provided that a definitive list of any such documents and instruments and copies thereof shall be posted publicly on the Company's website. The Exchange Notice shall specify the number and class of Exchangeable Units in respect of which the holder is exercising the Exchange Right (the "**Subject Units**") and, in the case of Class C Exchangeable Units, whether such Units are to be exchanged for TopCo Class C Fully Voting Shares or TopCo Class C Limited Voting Shares.

2.2 Share Settlement

Provided that the Exchange Notice is not revoked by the holder in the manner specified in Section 2.4 of this Schedule A, effective at the close of business on the Exchange Date:

(a) the Partnership shall have, and shall be deemed to have, repurchased the Subject Units for cancellation in consideration for the transfer to such holder of the applicable number of Exchanged Shares and such holder shall be deemed to have transferred to the Partnership all of such holder's right, title and interest in and to the Subject Units;

(b) the General Partner shall deliver (or cause to be delivered) to such holder or in accordance with its direction, for and on behalf of the Partnership and in the manner provided for in Section 2.3 of this Schedule A, the applicable number of Exchanged Shares; and

(c) the Partnership shall issue to the General Partner a number of GP Units equal to the number of Exchanged Shares delivered to such holder pursuant to Section 2.2(b) of this Schedule A, in consideration for the General Partner delivering such Exchanged Shares to such holder.

Notwithstanding the foregoing, neither the Partnership, nor the General Partner, shall be liable for damages arising from a failure to deliver the applicable number of Exchanged Shares (x) on an Exchange Date of less than three Business Days after the date upon which such Exchange Notice is delivered to the office of the Partnership, so long as each of the Partnership and the General Partner used commercially reasonable efforts to meet such Exchange Date, or (y) on any Exchange Date as a result of any cause or impediment not reasonably within the control of the Partnership or the General Partner, including any failure on behalf of the Registrar or Transfer Agent to take timely any actions requested by the Partnership or the General Partner, so long as each of the Partnership and the General Partner used reasonable best efforts to eliminate such cause or impediment. The Partnership and the General Partner shall have a continuing obligation to deliver the Exchange Shares, even if not delivered on the specified Exchange Date.

2.3 Effect of Exchange

(a) Subject to compliance by the applicable holder of the Subject Units with the terms of this Schedule A, the Partnership (or the General Partner for and on behalf of the Partnership) shall deliver or cause the Registrar and Transfer Agent to deliver to the relevant holder or in accordance with its direction, as applicable the applicable Exchanged Shares (which shares shall be duly issued as fully paid and non-assessable and shall be free and clear of any lien, claim or encumbrance) less any amounts withheld on account of tax pursuant to Section 5.5(a) of the Agreement, and such delivery by or on behalf of the Partnership or by the Registrar and Transfer Agent shall be deemed to be payment of and shall satisfy and discharge all liability for the total consideration payable or issuable. To the extent that amounts are so required to be deducted or withheld on account of tax pursuant to Section 5.5(a), the Partnership (or the General Partner for and on behalf of the Partnership) is hereby authorized to sell such portion of the Exchanged Shares otherwise payable to the holder as is necessary to provide sufficient funds to the Partnership to enable it to comply with such deduction or withholding requirement and the Partnership (or the General Partner for and on behalf of the Partnership) shall notify such holder of such sale and (x) remit the applicable portion of the net proceeds of such sale to the appropriate taxing authority and (y) the remaining net proceeds of such sale (after deduction for the amounts described in clause (x)) to such holder; provided that the General Partner shall use its reasonable best efforts to provide such holder with the opportunity to pay any withholding tax in cash, in lieu of having Exchanged Shares sold to pay some or all of the withholding tax. The General Partner shall respond to reasonable inquiries from the holders of Exchangeable Units as to the existence and amount of any withholding tax upon the exchange of such Exchangeable Units and otherwise cooperate in a reasonable manner, so that such payment can be made promptly and in a manner and at a time that will not result in a failure of delivery of all Exchanged Shares without any need for a sale as contemplated above, as, and within the time periods, contemplated in 2.2(b) above.

(b) On and after the close of business on the Exchange Date, the holders of the Subject Units shall cease to be holders of such Subject Units and all rights with respect to such Subject Units shall immediately cease and terminate, other than the right to receive the applicable Exchanged Shares in accordance with the provisions of this Article 2. On and after the close of business on the Exchange Date, provided that payment of the applicable Exchanged Shares has been made in accordance with the foregoing provisions, the holder of the Subject Units exchanged for TopCo Shares shall thereafter be considered and deemed for all purposes to be a holder of the applicable number and class of TopCo Shares delivered to it.

(c) Notwithstanding Section 2.3(b) of this Schedule A, where a record date in respect of a distribution occurs prior to the Exchange Date with regard to any Exchangeable Unit as to which an Exchange Notice has been delivered and there is any declared and unpaid distribution on any Exchangeable Unit as to which an Exchange Notice has been delivered, subject to Section 6.1 of this Schedule A, such distribution shall remain payable and shall be paid in the applicable form on the designated payment date to the former holder of the Exchangeable Unit so exchanged hereunder.

(d) All filing fees, transfer taxes, sales taxes, document stamps or other similar charges levied by any Governmental Authority in connection with the repurchase of the Exchangeable Units pursuant to the Agreement shall be paid by the Partnership; provided, however, that the holder of such Exchangeable Units shall pay any such fees, taxes, stamps or similar charges that may be payable as a result of any transfer of the consideration payable in respect of such Exchangeable Units to a Person other than such holder. Except as otherwise provided in the Agreement, each party will bear its own costs in connection with the performance of its obligations under the Agreement.

2.4 Revocation Right

A holder of Subject Units may, by notice in writing given by the holder to the Partnership before the close of business on the second Business Day immediately preceding the Exchange Date, withdraw its Exchange Notice, in which event such Exchange Notice shall be null and void.

2.5 Mandatory Exchange

In the event that:

(a) at any time the number of Exchangeable Units Outstanding (other than Exchangeable Units held by the General Partner or its Affiliates and as such number of Units may be adjusted in accordance with the Agreement to give effect to a Combination or Subdivision of, or unit distribution on, the Exchangeable Units, or any issue or distribution of rights to acquire Exchangeable Units or securities exchangeable for or convertible into Exchangeable Units following the date hereof) represents less than 2% of the equity capital of the General Partner on a fully-diluted basis, or

(b) a TopCo Control Transaction occurs with respect to which both: (i) the General Partner's Board of Directors has determined, in good faith, that such TopCo Control Transaction involves an arm's length transaction between TopCo and a bona fide third party and has a legitimate material commercial purpose other than causing the exchange of the Exchangeable Units in connection with such TopCo Control Transaction; and (ii) the holders of the Exchangeable Units have received not less than 15 Business Days prior written notice from the General Partner prior to the date that it makes such determination, or

(c) an Exempt Exchangeable Voting Event is proposed and, following reasonable prior written notice to the holders of the Exchangeable Units by the General Partner that such proposal constitutes an Exempt Exchangeable Voting Event, the requisite plurality of such holders fail to vote or provide written consent or proxy with respect to such Exchangeable Units (to the extent such actions are permitted by Law and would not cause a violation of this Agreement, the TopCo Articles, or the Investor Rights Agreement) at a meeting called in accordance with this Agreement to approve or disapprove, as applicable, the Exempt Exchangeable Voting Event in order to maintain economic equivalence of the Exchangeable Units and the GP Units,

then on prior written notice given by the Partnership to the holders of Exchangeable Units at least fifteen days prior to such mandatory exchange, in the case of the foregoing Sections 2.5(a) and 2.5(b), and on the Business Day following the day on which the holders of the Exchangeable Units failed to take such action in the case of the foregoing Section 2.5(c), the Partnership may cause a mandatory exchange of all of the Outstanding Exchangeable Units (which shall be deemed to be the Subject Units), on such date as is specified by the Partnership in such notice (which shall be deemed to be the Exchange Date), pursuant to Section 2.2 of this Schedule A, and for greater certainty the holders of Exchangeable Units shall not have the right to revoke such mandatory exchange pursuant to this Section 2.5 of Schedule A.

2.6 Take-Over Bid

With respect to any matter described in Section 3.23 of the Agreement that is proposed or recommended by the General Partner or the General Partner's Board of Directors, and as a term thereof, the Partnership will cause to be put in place procedures or cause the Registrar and Transfer Agent to put in place procedures to ensure that, if holders of Exchangeable Units are required to exchange such Exchangeable Units to participate in a TopCo Offer, any such exchange shall be conditional upon and shall only be effective if the TopCo Shares tendered or deposited under such TopCo Offer are taken up.

ARTICLE 3
VOTING RIGHTS

3.1 Mailings to TopCo Shareholders

TopCo, in its own capacity and not in its capacity as General Partner, will deliver to the General Partner copies of all proxy materials (including notices of TopCo Meetings but excluding proxies to vote TopCo Shares), information statements, reports (including all interim and annual financial statements) and other written communications that, in each case, are to be distributed from time to time to holders of TopCo Shares in sufficient quantities and in sufficient time so as to enable the General Partner to send those materials to each Exchangeable Holder at the same time as such materials are first sent to holders of TopCo Shares. The General Partner will promptly mail or cause to be mailed (or otherwise communicate in the same manner as TopCo utilizes in communications to holders of TopCo Shares, subject to applicable Laws and provided such manner of communications is reasonably available to the General Partner) to each Exchangeable Holder, at the expense of TopCo, such mailing or communication to commence on the same day as the mailing or notice (or other communication) with respect thereto is commenced by TopCo to its shareholders:

(a) a copy of such notice, together with any related materials, including any proxy circular or information statement, to be provided to shareholders of TopCo;

(b) a statement that such Exchangeable Holder is entitled to instruct the General Partner to instruct the Trust as to the exercise of the Holder Votes with respect to such TopCo Meeting or TopCo Consent or, pursuant to Section 2.03 of the Voting Agreement, to attend such TopCo Meeting and to exercise personally the Holder Votes thereat;

(c) a written statement as to the manner in which such instructions may be given to the General Partner, including an express indication that instructions may be given to the General Partner to give:

(i) a proxy to such Exchangeable Holder or his or her designee to exercise personally the Holder Votes as contemplated in Section 3.5 below;

(ii) a proxy to a designated agent or other representative of the management of TopCo to exercise such Holder Votes in accordance with the elections(s) indicated by such Exchangeable Holder in the space that shall be included on such proxy for casting votes on each of the matters that are to be presented for a vote at the applicable meeting; and

(iii) a statement that if no such instructions are received from an Exchangeable Holder, the Holder Votes with respect to which such Exchangeable Holder is entitled to give instructions will not be exercised by the Trust;

(d) a form of direction whereby an Exchangeable Holder may so direct and instruct the General Partner as contemplated herein; and

(e) a statement of the time and date by which such instructions must be received by the General Partner in order to be binding upon it, which in the case of a TopCo Meeting shall not be earlier than the close of business on the third Business Day prior to such meeting, and of the method for revoking or amending such instructions.

provided, however, that the General Partner shall not be required to provide an Exchangeable Holder such mailing or communication relating to a TopCo Meeting at which or TopCo Consent for which the TopCo Shares receivable upon the exchange of the Exchangeable Units owned of record by such Exchangeable Units do not have the right to vote. The General Partner will include in all such communications contemplated in clauses (a) through (e) above, a written form of proxy, notice or instruction, together with a pre addressed return envelope, so that the holder of the Exchangeable Units will be able to complete and sign such form and return it to as appropriate, in order to exercise the rights and powers contemplated herein.

3.2 Other Materials

As soon as reasonably practicable after receipt by TopCo or shareholders of TopCo (if such receipt is known by TopCo) of any material sent or given by or on behalf of a third party to holders of TopCo Shares generally, including dissident proxy and information circulars (and related information and material) and take-over bid circulars (and related information and material), TopCo shall use its reasonable commercial efforts to obtain and deliver to the General Partner copies thereof in sufficient quantities so as to enable the General Partner to forward such material (unless the same has been provided directly to Exchangeable Holders by such third party) to each Exchangeable Holder as soon as possible thereafter. As soon as reasonably practicable after receipt thereof, the General Partner will mail or otherwise send to each Exchangeable Holder, at the expense of TopCo, copies of all such materials received by the General Partner from TopCo. The General Partner will also make available for inspection by any Exchangeable Holder at the General Partner's principal office in Toronto, Ontario copies of all such materials.

3.3 List of Persons Entitled to Vote

The Partnership shall (a) prior to each annual, general and special TopCo Meeting or the seeking of any TopCo Consent from the holders of TopCo Shares and (b) forthwith upon each request made at any time by the Trustee in writing, prepare or cause to be prepared a list (a “**List**”) of the names and addresses of the Exchangeable Holders arranged in alphabetical order and showing the number of Exchangeable Units held of record by each such Exchangeable Holder, in each case at the close of business on the date specified by TopCo in such request or, in the case of a List prepared in connection with a TopCo Meeting or a TopCo Consent, at the close of business on the record date established by TopCo or pursuant to applicable Law for determining the holders of TopCo Shares entitled to receive notice of and/or to vote at such TopCo Meeting or to give consent in connection with such TopCo Consent. Each such List shall be delivered to the Trustee promptly after receipt by the Partnership of such request or the record date for such meeting or seeking of consent, as the case may be, and in any event within sufficient time as to permit the Trustee to perform its obligations under the Voting Agreement.

3.4 Entitlement to Direct Votes

(a) Generally

(i) With respect to all TopCo Meetings at which the TopCo Class A Shares have the right to vote, and with respect to any solicitation of TopCo Consents in which the consent of the holders of the TopCo Class A Shares are sought, each holder of Class A Exchangeable Units shall be entitled to instruct the General Partner to direct the Trust to cast and exercise, in the manner instructed, that number of votes comprised in the Voting Rights for the Class A Special Voting Share which is equal to that number of votes which would attach to the TopCo Class A Shares receivable upon the exchange of the Class A Exchangeable Units owned of record by such holder of Class A Exchangeable Units on the record date established by TopCo or by applicable Law for such TopCo Meeting or TopCo Consent, as the case may be (the “**Class A Holder Votes**”) in respect of each matter, question, proposal or proposition on which TopCo Class A Shares are entitled to vote at such TopCo Meeting or in connection with such TopCo Consents.

(ii) With respect to all TopCo Meetings at which the TopCo Class B Shares have the right to vote, and with respect to any solicitation of TopCo Consents in which the consent of the holders of the TopCo Class B Shares are sought, each holder of Class B Exchangeable Units shall be entitled to instruct the General Partner to direct the Trust to cast and exercise, in the manner instructed, that number of votes comprised in the Voting Rights for the Class B Special Voting Share which is equal to that number of votes which would attach to the TopCo Class B Shares receivable upon the exchange of the Class B Exchangeable Units owned of record by such holder of Class B Exchangeable Units on the record date established by TopCo or by applicable Law for such TopCo Meeting or TopCo Consent, as the case may be (the “**Class B Holder Votes**”) in respect of each matter, question, proposal or proposition on which TopCo Class B Shares are entitled to vote at such TopCo Meeting or in connection with such TopCo Consent.

(iii) With respect to any (A) TopCo Meetings at which the TopCo Class C Fully Voting Shares and/or the TopCo Class C Limited Voting Shares have the right to vote, and (B) any solicitation of TopCo Consents in which the consent of the holders of the TopCo Class C Fully Voting Shares and/or the TopCo Class C Limited Voting Shares are sought, in each case, each holder of Class C Exchangeable Units shall be entitled to instruct the General Partner to direct the Trust to cast and exercise, in the manner instructed by the holder of Class C Exchangeable Units, that number of votes comprised in the Voting Rights for the Class C Special Voting Share which is equal to that number of votes which would attach to the TopCo Class C Fully Voting Shares and/or the TopCo Class C Limited Voting Shares (such number of votes as allocated between TopCo Class C Fully Voting Shares and/or the TopCo Class C Limited Voting Shares by such holder of Class C Exchangeable Units in its instructions to the General Partner) receivable upon the exchange of the Class C Exchangeable Units owned of record by such holder of Class C Exchangeable Units on the record date established by TopCo or by applicable Law for such TopCo Meeting or TopCo Consent, as the case may be (collectively with the Class A Holder Votes and the Class B Holder Votes, the "**Holder Votes**") in respect of each matter, question, proposal or proposition on which TopCo Class C Shares are entitled to vote at such TopCo Meeting or in connection with such TopCo Consent, assuming each such Class C Exchangeable Unit were exchanged for a TopCo Class C Fully Voting Share or a TopCo Class C Limited Voting Share, as applicable.

(b) <u>In Connection with the Separate Class Vote of a Special Voting Share</u>

(i) Notwithstanding Section 3.4(a) of this Schedule A, in the event that under applicable law any matter requires the approval of the holder of record of a particular Special Voting Share, voting separately as a class, the General Partner shall direct the Trust to cast and exercise, in the manner instructed, that number of votes comprised in the Voting Rights for such Special Voting Share:

1 (A) in favour of the relevant matter where the result of the vote of the holders of the class of TopCo Shares receivable upon the exchange of the Exchangeable Units to which such Special Voting Share relates (e.g., TopCo Class A Shares in the case of the Class A Special Voting Share) and the applicable class of Holder Votes (e.g., Class A Holder Votes in the case of the Class A Special Voting Share), voting together if they were as a single class on such matter (a "**Combined Vote**"), would be the approval of such matter; and

(B) against the relevant matter where the result of the Combined Vote would be against the relevant matter;

provided that, in the event of a vote on a proposal to amend the TopCo Articles to, or to take any other action that would: (x) effect an exchange, reclassification, cancellation or other modification which could adversely affect such Special Voting Share or the rights thereunder relative to the applicable class of TopCo Shares (e.g., TopCo Class A Shares in the case of the Class A Special Voting Share) or (y) add, change, amend, modify or remove in any respect the rights, privileges, restrictions or conditions attached to such Special Voting Share (any of the foregoing actions described in clauses (x) or (y), a "**Class Vote Proposal**"), in each case, the General Partner shall direct the Trust to cast and exercise, in the manner instructed, that number of votes comprised in the Voting Rights for such Special Voting Share (i) in favour of such Class Vote Proposal if a majority of the class of Holder Votes alone (e.g., Class A Holder Votes in the case of the Class A Special Voting Share), rather than a Combined Vote, voted in favour of such Class Vote Proposal, otherwise (ii) against such Class Vote Proposal.

(c) For the purpose of determining Holder Votes with respect to which such Unitholder is entitled to give instructions pursuant to the Agreement in respect of any TopCo Meeting or TopCo Consent, the number of Exchangeable Units owned of record by a Unitholder shall be determined at the close of business on the record date established by TopCo or by applicable Law for purposes of determining shareholders entitled to vote at such TopCo Meeting.

(d) For instructions with respect to the Voting Rights to be timely delivered by the holders of Exchangeable Units, such instructions must be delivered: (i) with respect to a TopCo Meeting, no later than three Business Days prior to the proxy cut-off time established by TopCo for such TopCo Meeting, or (ii) with respect to a TopCo Consent, no later than the close of business on the third Business Day prior to the deadline specified in such TopCo Consent, if any. The General Partner, may, in its sole discretion, choose to treat instructions delivered subsequent to the times set forth in the preceding sentence as timely delivered. The General Partner shall specify all such applicable times and dates (by reference to a specific time and date and not to a computation methodology) in each of its relevant notices required to be given to each holder of Exchangeable Units.

(e) The General Partner shall timely direct the Trust, in writing, to cast and exercise, in the manner timely instructed, the Voting Rights in accordance with the voting instructions received pursuant to Section 3.4(a) and 3.4(b). To the extent that no instructions are timely received by the General Partner with respect to the Voting Rights with respect to any Special Voting Share, the General Partner shall instruct the Trust not exercise or permit the exercise of such Voting Rights.

3.5 <u>Exchangeable Holder Proxies</u>

At the request of a holder of Exchangeable Units, the General Partner shall direct the Trustee to sign and deliver to such holder of Exchangeable Units (or its designee) a proxy to exercise personally the Holder Votes of such holder of Exchangeable Units with respect to the applicable Special Voting Shares; provided that such Unit Holder provides such identifying information as is reasonably requested by the Trustee and either (i) has not previously given the General Partner instructions pursuant to Section 3.4 in respect of such TopCo Meeting or (ii) submits to the General Partner written revocation of any such previous instructions. The holder of Exchangeable Units exercising such Holder Votes shall have the same rights as the Trust would have had in relation to such Holder Votes to speak at the TopCo Meeting in respect of any matter, question, proposal or proposition, to vote by way of ballot at the TopCo Meeting in respect of any matter, question, proposal or proposition, and to vote by way of a show of hands in respect of any matter, question or proposition.

3.6 Actions of Exchangeable Holders

The Exchangeable Holders shall have the right to institute any action, suit or proceeding or to exercise any other remedy under or pursuant to the Agreement or the Voting Agreement in relation to directing the exercise of rights attached to a Special Voting Share as the Trustee might have taken.

3.7 Voting of Golden Share

The General Partner shall instruct the Trustee to vote the Golden Share as provided for in the Voting Agreement.

ARTICLE 4
OTHER RIGHTS AS SHAREHOLDERS

4.1 Certain Statutory Rights as Shareholders

TopCo hereby agrees that the Exchangeable Holders shall have the right to exercise the following rights of shareholders of TopCo on an “as-if exchanged” basis, meaning that such Exchangeable Holders shall have the same rights as if they had exchanged their Exchangeable Units for TopCo Common Shares:

(a) All rights of holders of common shares set forth in the TopCo Articles and under applicable Law (other than voting rights and rights to dividends or other distributions).

(b) Inspection of books and records as set forth in Section 46, 48, 196(4) and (5), 436(2) and 428(1) of the BCBA.

(c) The right to obtain the List and all shareholder lists as set forth in Section 49 of the BCBA.

(d) The right to make a shareholder requisition, to have a court call a shareholder meeting, to participate in a meeting telephonically and to submit shareholder proposals as set forth in Sections 167, 174(1), 186-191 of the BCBA, provided that the Exchangeable Holders also comply with the TopCo Articles.

ARTICLE 5
AMENDMENT AND APPROVAL

5.1 Amendments

(a) In addition to any other approval required pursuant to the terms of this Agreement, the rights, privileges, restrictions and conditions attaching to the Exchangeable Units may be added to, changed or removed but only with the approval of:

(i) in the case of amendments that would increase or decrease the economic rights of an Exchangeable Unit relative to the applicable class of TopCo Share it would be exchangeable into, such that such securities would cease to have economic equivalence, or that would otherwise enhance or limit the rights, privileges, restrictions or conditions attaching to such Exchangeable Units relative to the rights, privileges, restrictions or conditions attaching to the applicable TopCo Shares, (A) in the case of amendments to the Class A Exchangeable Units, (i) the holders of Class A Exchangeable Units pursuant to Section 5.1(b) of this Schedule A, (ii) the holders of a majority of the outstanding TopCo Class A Shares and (iii) the General Partner; (B) in the case of amendments to the Class B Exchangeable Units, (i) the holders of Class B Exchangeable Units pursuant to Section 5.1(b) of this Schedule A, (ii) the holders of a majority of the outstanding TopCo Class B Shares and (iii) the General Partner; and (C) in the case of amendments to the Class C Exchangeable Units, (i) the holders of Class C Exchangeable Units pursuant to Section 5.1(b) of this Schedule A, and (ii) the holders of a majority of the outstanding TopCo Class C Shares and (iii) the General Partner; or

(ii) in the case of any amendment (x) not covered by Section 5.1(a)(i) of this Schedule A and (y) that would affect the rights, privileges, restrictions or conditions attaching to certain of the Exchangeable Units in a manner adverse to those holders of Exchangeable Units relative to other holders of Exchangeable Units, with the approval all of the holders of the adversely affected Exchangeable Units and the General Partner; or

(iii) in the case of any other amendment that would affect the rights, privileges, restrictions or conditions attaching to the Exchangeable Units, the General Partner; provided, that, until the Special Board Date (as defined in the TopCo Articles), the amendments set out in this clause (a)(iii) may only be made without the approval of any Limited Partner if approved by a majority of the Specially Designated Directors then in office.

(b) Any approval given by the holders of the Exchangeable Units to add to, change or remove any right, privilege, restriction or condition attaching to the class of Exchangeable Units held by such holders or any other matter requiring the approval or consent of the holders of the Exchangeable Units, shall be deemed to have been sufficiently given if it shall have been given in accordance with applicable Law subject to a minimum requirement that such approval be evidenced by an Ordinary Resolution passed by the holders of such class of Exchangeable Units.

(c) Neither the Partnership nor TopCo will propose, agree to or otherwise give effect to:

(i) any amendment to, or waiver of its rights or obligations under, the Voting Agreement without the approval of the Partners given in accordance with Section 5.1(a); or

(ii) the termination of the Voting Agreement in accordance with Section 8.01 of the Voting Agreement without the approval of at least 75 % of the voting power attached to the Exchangeable Units (excluding Units owned by the General Partner and its Subsidiaries), which 75% approval shall include the vote of a majority of the voting power attached to the Exchangeable Units (other than Exchangeable Units beneficially owned by Rover, any Meteor Entity and their respective Affiliates and Associates); and provided that any such termination shall include the implementation of a successor Voting Agreement no less favorable to the owners of the Exchangeable Units .

ARTICLE 6
GENERAL

6.1 Fractional Shares

A holder of Exchangeable Units shall not be entitled to any fraction of a TopCo Share and no certificates representing any such fractional interest shall be issued, and such holder otherwise entitled to a fractional interest shall only be entitled to receive the nearest whole number of TopCo Shares, rounded down.

6.2 Tax Treatment

This Schedule A shall be treated as part of the partnership agreement of the Partnership as described in Section 761(c) of the Code and Sections 1.704-1(b)(2)(ii)(h) and 1.761-1(c) of the U.S. Treasury Regulations.

EXHIBIT A
EXCHANGE NOTICE

To Telesat Partnership LP (the "**Partnership**")

This notice is given pursuant to Section 2.1(a) of Schedule A of the Amended and Restated Limited Partnership Agreement, as amended from time to time, between Telesat Corporation ("**Topco**"), in its own capacity and as general partner, and the other parties thereto (the **Limited Partnership Agreement**"). All capitalized words and expressions used in this notice that are defined in the Limited Partnership Agreement have the meanings ascribed to such words and expressions in such Limited Partnership Agreement.

The undersigned hereby notifies the Partnership that the undersigned desires to have the Partnership exchange in accordance with the terms of the Limited Partnership Agreement:

☐ all Class _____ Exchangeable Unit(s) held by the undersigned; or

☐ __________ Class _____ Exchangeable Unit(s) held by the undersigned,

on __________ (the "**Exchange Date**").

NOTE: **The "Exchange Date" must be a Business Day and must not be less than two Business Days nor more than ten Business Days after the date upon which the Exchange Notice is delivered to the office of the Partnership. If no such Business Day is specified in an Exchange Notice, the Exchange Date shall be deemed to be the second Business Day after the date on which such Exchange Notice is received by the Partnership.**

If the undersigned is exchanging Class C Exchangeable Units, the undersigned hereby notifies the Partnership it desires to have the Partnership exchange the foregoing Exchangeable Unit(s) for _____ Topco Class C Fully Voting Shares and _____ TopCo Class C Limited Voting Shares.

This Exchange Notice may be revoked and withdrawn by the undersigned only by notice in writing given to the Partnership at any time before the close of business on the second Business Day preceding the Exchange Date.

The undersigned hereby represents and warrants to the Partnership that the undersigned has good title to, and owns, the Exchangeable Units subject to this notice to be acquired by the Partnership free and clear of all liens, claims and encumbrances.

☐ If the undersigned is exchanging Class A Exchangeable Units or Class C Exchangeable Units, the undersigned represents that they are a Qualified Canadian (as defined in the Limited Partnership Agreement) and will promptly provide evidence in form and substance satisfactory to the General Partner of the Unitholder's status as a Qualified Canadian upon request of the Partnership. *Failure to check this box means that TopCo Class B Shares will be issued.*

________________________	________________________	___________________-
(Signature of Record Holder)	(Name of Record Holder)	(Date)

NOTE: The securities resulting from the exchange of the Exchangeable Units will be issued and registered in the name of the Unitholder as it appears on the register of the Partnership unless either option appearing immediately below is duly completed.

☐ If the securities are to be issued to a Canadian broker account (CDS TRAX):

Canadian Broker Name: ____

Canadian Broker Address: ____

Canadian Broker CUID: ____

Canadian Broker Account Number: ______________________________________

Canadian Broker Phone Number: ____

Signature of Record Holder: ____

☐ If the securities are to be issued to a U.S. broker account (DWAC):

U.S. Broker Name: ____

U.S. Broker Address: ____

U.S. Broker DTC Number: ____

Account Number: ____

U.S. Broker Contact Name: ____

U.S. Broker Phone Number: ____

Signature of Record Holder: ____