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, 2017

OR

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

Commission file number 1-14180

LORAL SPACE & COMMUNICATIONS INC.

(Exact name of registrant specified in the charter)

Jurisdiction of incorporation: Delaware

IRS identification number: 87-0748324

600 Fifth Avenue
New York, New York 10020
(Address of principal executive offices)

Telephone: (212) 697-1105
(Registrant's telephone number, including area code)

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☑ 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. (Check one):

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ (Do not check if a smaller reporting company) 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 7(a)(2)(B) of the Securities Act. ☐

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

At March 9, 2018, 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.

As of June 30, 2017, 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 $528,690,718

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

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for its 2018 Annual Meeting of Stockholders, which is to be filed subsequent to the date hereof, are incorporated by reference into Part III of this Annual Report on Form 10-K.

L ORAL SPACE AND COMMUNICATIONS INC.
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For the Year Ended December 31, 2017

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PART I

Item 1. *Business*

THE COMPANY

Overview

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

Satellite Services

Loral has one operating segment consisting of satellite-based communications services.

Loral participates in satellite services operations primarily through its 62.7% economic interest in Telesat Canada ("Telesat"), a leading global satellite operator. Effective January 1, 2017, Telesat Holdings Inc. completed a corporate reorganization pursuant to which Telesat Holdings Inc. amalgamated with Telesat Interco Inc., a wholly owned subsidiary, and immediately thereafter the newly amalgamated company amalgamated with Telesat Canada. The continuing entity, existing under the laws of Canada, is named Telesat Canada.

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. Telesat is also developing 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 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.

At December 31, 2017, Telesat, with approximately $3.0 billion of backlog, provided satellite services to customers from its fleet of 15 in-orbit geostationary satellites. In addition, Telesat owns the Canadian Ka-band payload on the ViaSat-1 satellite and has two other geostationary satellites under construction. In January 2018, an additional satellite was launched into low earth orbit as part of Telesat's plan to deploy an advanced, global LEO constellation. Telesat also manages the operations of additional satellites for third parties.

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.

Our economic interest decreased from 62.8% to 62.7% in March 2016 when certain Telesat employees exercised share appreciation rights related to a total of 178,642 stock options granted under Telesat's share-based compensation plan and received 129,400 non-voting participating preferred shares.

Telesat Services

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

Broadcast

Telesat's broadcast services business provided approximately 51% of its revenue for the year ended December 31, 2017. These services include:

DTH: Both Canadian DTH service providers (Bell TV and Shaw Direct) use Telesat's satellites as a distribution platform for their services, delivering television programming, audio and information channels directly to customers' homes. In addition, Telesat's satellites are used by EchoStar/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. 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 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 46% of its revenue for the year ended December 31, 2017. 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 broadband, internet backhaul, cellular backhaul and services such as rural telephony to telecommunications carriers and network services integrators around the world.

Government services: The United States government is the largest single consumer of fixed satellite services in the world and a user of Telesat's international satellites. Telesat provides services to the United States government through government service integrators, rather than directly to United States government agencies. Telesat is also a significant provider of satellite services to the Canadian government.

Consumer broadband services: Telesat provides Ka-band satellite capacity to customers in Canada, particularly to Xplornet Communications Inc., which uses it to provide two-way broadband internet services, and to ViaSat, Inc. ("ViaSat"), which uses it to provide similar services in the United States. Telesat also provides Ku-band satellite capacity to Hughes Network Systems LLC ("HNS"), which uses it to provide two-way broadband internet services in South America. HNS has also contracted for all of the Ka-band capacity serving South America on Telesat's Telstar 19 VANTAGE satellite currently under construction.

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

Maritime and aeronautical services: Telesat is increasingly providing satellite capacity to customers serving the growing maritime and aeronautical markets bringing broadband communications services to commercial airplanes and vessels.

Retail services: Telesat operates VSAT and hybrid VSAT/terrestrial networks in Canada providing end-to-end services including installation and maintenance of the end user terminal, maintenance of the VSAT hub and provision of satellite capacity. These networks include the support of point-of-sale and other applications at thousands of retail petroleum sites.

Satellite operator services: Telesat provides services to other satellite operators in the form of partial channel satellite capacity, full transponder satellite capacity and, on occasion, the relocation and use of an entire satellite at a designated orbital location to preserve their spectrum rights.

Consulting and Other

Telesat's consulting and other category provided approximately 3% of its revenues for the year ended December 31, 2017. Telesat's consulting operations allow it to realize operating efficiencies by leveraging Telesat's existing employees and the facility base dedicated to its core satellite communication business. With over 45 years of engineering and technical experience, Telesat is a leading consultant in establishing, operating and upgrading satellite systems worldwide.

Competitive Strengths

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

Leading Global FSS Operator

Telesat is one of the world's leading fixed satellite services ("FSS") operators and the largest in Canada. It has a leading position as a provider of satellite services in the North American video distribution market. Telesat provides services to both of the major DTH providers in Canada, Bell TV and Shaw Direct, which together have approximately 2.1 million subscribers, as well as to EchoStar (DISH Network) in the United States, which has approximately 13.2 million subscribers. Its international satellites are well positioned to serve a number of growing markets and serve a range of important customers in those markets.

Blue Chip Customer Base

Telesat offers its broad suite of satellite services to more than 400 customers worldwide, which include some of the world's leading DTH service providers, ISPs, network services integrators, telecommunications carriers, corporations and government agencies. Over 45 years of operation, Telesat has established long-term, collaborative relationships with its customers and has developed a reputation for creating innovative solutions and providing services essential for its customers to reach their end users. Telesat's customers represent some of the strongest and most financially stable companies in their respective industries. A number of these customers have historically committed to long-term contracts for Telesat's services, which enhances the predictability of its future revenues and cash flows and supports its future growth.

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

Historically, Telesat has been able to generate strong cash flows from its operating activities due to the high operating margins in the satellite industry and its disciplined control of expenses. The stability of Telesat's cash flows is underpinned by its large revenue backlog. Telesat has been able to generate significant backlog by entering into long-term contracts with its customers, in some cases for all or substantially all of a satellite's orbital maneuver life. In addition to this backlog, Telesat has historically experienced a high proportion of contract renewals. Together, these two factors have produced ongoing, stable cash flows.

Many of Telesat's satellites are relatively new and will not need to be replaced for a significant period of time which defers replacement capital expenditures.

Portfolio of Orbital Real Estate

Telesat's satellites occupy highly attractive orbital locations that provide it 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 its leading position in North America. Telesat's international satellites also occupy highly desirable orbital locations that enable broad pan-regional service with interconnectivity between regions, making them attractive for both intra- and inter-regional services. Telesat has rights to additional spectrum, including at certain existing orbital locations.

Telesat also has rights to use Ka-band and V-band to operate a global LEO satellite constellation. LEO satellite systems have the potential to offer a number of advantages over geostationary satellites to meet growing requirements for broadband services by providing increased data speeds and capacity, global coverage, and latency on par with or potentially better than terrestrial services. In January 2018, Telesat announced the successful launch of its first LEO satellite which will demonstrate certain features of Telesat's LEO system design.

Global Operations Provide Revenue Diversification and Economies of Scale

The combination of Telesat's North American broadcast and enterprise services businesses and Telesat's international business offers diversity in terms of both the customers and regions served as well as the services provided.

Moreover, as the operator of a fleet of 15 satellites plus multiple other satellites for third parties, Telesat has attained meaningful scale to allow it to leverage its relatively fixed cost base to achieve substantial operating margins.

Business Strategy

Telesat's commitment to providing strong customer service and its focus on innovation and technical expertise has allowed it to successfully build its business to date. Building on its existing contractual revenue backlog, Telesat will continue to focus on increasing the utilization of its existing satellite capacity, maintaining its operating efficiency and, in a disciplined manner, using its strong cash flow to grow in-orbit satellite capacity and strengthen its business.

Telesat believes its satellite fleet offers a strong combination of existing backlog and additional capacity on its existing satellites and planned satellites that provide a solid foundation upon which it will seek to continue to grow its revenue and cash flows. To achieve this growth, Telesat will seek to capture the anticipated increased demand for satellite services and capacity particularly in the enterprise services market, from requirements such as maritime and aeronautical, government services and supporting carrier and enterprise networks.

Telesat will continue to focus on capturing the anticipated increase in worldwide demand for satellite services through a disciplined satellite expansion program that should drive incremental contracted backlog and cash flows, and further leverage its fixed cost structure.

Telstar 18 VANTAGE, a powerful, state-of-the-art, multi-mission satellite currently under construction, and which Telesat anticipates will be launched in mid-2018, will replace Telstar 18 at 138° EL. This new satellite will bring replacement and expansion capacity to this orbital location utilizing high throughput and broad beam capacity. The satellite will offer a high degree of flexibility with coverage of China, Mongolia, Indochina, Indonesia, Australia, New Zealand and the Pacific Ocean. Telesat's long-standing partner at the 138° EL location, APT, will use 57.5% of the satellite's capacity in exchange for providing 57.5% of the capital for the satellite program.

Telstar 19 VANTAGE, a powerful, multi-mission, high throughput Ku-band and Ka-band satellite currently under construction, and which Telesat anticipates will be launched in mid-2018, will bring additional capacity to the 63° WL orbital location where Telesat operates its Telstar 14R/Estrela do Sul 2 satellite. The satellite will offer a high degree of flexibility with coverage of Brazil, the Andean region, the Caribbean, the North Atlantic Ocean and Northern Canada. HNS has entered into a long-term contract for all of the high throughput Ka-band capacity on Telstar 19 VANTAGE serving South America and Bell Canada has signed a 15-year contract for substantially all of the high throughput spot beam capacity over northern Canada.

In January 2018, Telesat announced the successful launch of its first LEO satellite, an important milestone in its plan to develop a state-of-the-art, high capacity LEO constellation that will deliver transformative, low latency, fiber-like broadband to commercial and government users worldwide. Telesat anticipates that this Phase 1 LEO satellite will demonstrate certain features of its LEO system design, in particular the capability of the satellite and customer terminals to deliver a low-latency broadband experience. Telesat has installed ground infrastructure at its teleport in Allan Park in Canada to support testing, and Telesat has customers in growing enterprise segments who it expects will participate in trials during 2018.

The satellite industry is characterized by a relatively fixed cost base that allows significant revenue growth with relatively minimal increases in operating costs, particularly for the provision of services using only satellite capacity. Thus, Telesat anticipates that the relatively fixed cost nature of its business, combined with increasing demand for satellite services, will over time produce growth in its operating cash flows. To further enhance liquidity, Telesat has a $200 million revolving credit facility in place that can be used for general corporate purposes including working capital and capital expenditures of which, other than $0.2 million of outstanding letters of credit, no amount was drawn as of December 31, 2017.

Competition

Telesat is a leading global FSS operator in a highly competitive industry, and Telesat competes against other global, regional and national satellite operators and with providers of terrestrial-based communications services.

Fixed Satellite Operators

Other global satellite operators are Intelsat S.A. ("Intelsat"), SES S.A. ("SES"), Eutelsat S.A. ("Eutelsat") and Inmarsat. Telesat also competes with a number of nationally or regionally focused FSS operators around the world.

Intelsat, SES and Eutelsat are each substantially larger than Telesat in terms of both the number of satellites they have in-orbit as well as their revenues. Telesat believes that Intelsat and its subsidiaries and SES and its subsidiaries each have global fleets of over 50 satellites, and that Eutelsat and its subsidiaries have a fleet of almost 40 satellites. Due to their larger sizes, these operators may be able to take advantage of greater economies of scale, may be more attractive to customers, and may (depending on the specific satellite and orbital location in question) have greater flexibility to restore service to their customers in the event of a partial or total satellite failure. In addition, their larger sizes may enable them to devote more resources, both human and financial, to sales, operations, product development and strategic alliances and acquisitions.

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

- in North America: Ciel, ViaSat, HNS/EchoStar, Hispasat and Arsat;
- in Europe, Middle East, Africa: Avanti, Arabsat, Es'hailsat, Nilesat, Gazprom, Hellas Sat, RSCC, Yahsat, Turksat and Spacecom;
- in Asia: AsiaSat, Measat, Thaicom, APT, PT Telkom, Optus, SKY Perfect JSAT and Asia Broadcast Satellite; and
- in Latin America: Star One, Arsat and Hispamar.

A number of other countries have domestic satellite systems against which Telesat competes in those markets.

The Canadian government opened Canadian satellite markets to foreign satellite operators as part of its 1998 World Trade Organization commitments to liberalize trade in basic telecommunications services. As of January 2018, approximately 90 non-Canadian licensed geostationary satellites and non-geostationary satellite constellations are listed as having been approved for use in Canada. Four of these geostationary satellites are Telesat satellites licensed by other administrations and one is a satellite on which Telesat owns the Canadian-coverage capacity.

In addition, the FSS and the mobile satellite services ("MSS") sectors, which have historically served distinct customer requirements, are converging. As a result, Telesat faces competition from MSS operators that include Inmarsat, which offers a high throughput Ka-band service using a global constellation of four geostationary satellites. The growth in satellite service providers using or planning to use Ka-band, including Avanti Communications, SES/O3b, ViaSat, Eutelsat, HNS/Echostar, Inmarsat, SES, Yahsat and others, will result in increased competition.

Many of the new and replacement satellites expected to be deployed in the near term will be high throughput satellites ("HTS") or will include high throughput payloads. In addition, second generation HTS systems recently launched and in development purport to be capable of throughput that substantially exceeds the throughput of first generation HTS. This is expected to result in a significant increase in satellite capacity which may further increase competition.

Over the past two years, a number of non-geostationary orbit ("NGSO") satellite systems have been announced and are now in various stages of development. These include proposed systems from One Web, SpaceX, Boeing, SES/O3b and LeoSat, among others. In addition, a number of other non-terrestrial systems using drones or balloons have also been announced. As these new systems are deployed they may significantly increase the supply of services that will compete with Telesat's LEO constellation as well as traditional satellite services.

Terrestrial Service Providers

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

Consulting Services

The market for satellite consulting services is generally comprised of a few companies qualified to provide advice to governments, satellite operators, spacecraft manufacturers and other industry participants on a range of technical and commercial matters related to satellite communications and earth observation. Telesat's competitors are primarily United States and European-based companies.

Satellite Fleet & Ground Resources

As of December 31, 2017, Telesat had 15 in-orbit satellites. In addition, Telesat owns the Canadian Ka-band payload on the ViaSat-1 satellite.

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 and its telemetry tracking and control facility in Perth, Australia. These ground facilities are used for controlling Telesat's satellites and for the provision of end-to-end services to Telesat's customers.

Telesat's North American focused fleet is comprised of eight satellites (Anik F1R, Anik F2, Anik F3, Nimiq 1, Nimiq 2, Nimiq 4, Nimiq 5 and Nimiq 6), plus the Canadian beams on ViaSat-1. Telesat's international fleet is comprised of six satellites (Anik F1, Telstar 11N, Telstar 12, Telstar 12 VANTAGE, Telstar 14R/Estrela do Sul 2 and Telstar 18). Telesat's Anik G1 satellite provides service for both North and South America.

The table below summarizes selected data relating to Telesat's owned in-orbit satellite capacity as of December 31, 2017 **:**

	Orbital Location Regions Covered	Launch Date	Manufacturer's End-of-Service Life	Expected End-of-Orbital Maneuver Life [(1)]	Model
Anik F1	107.3°WL South America	November 2000	2016	2022	BSS702 (Boeing)
Anik F1R	107.3° WL North America	September 2005	2020	2022	E3000 (EADS Astrium)
Anik F2	111.1° WL Canada, Continental United States	July 2004	2019	2027	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	Not Applicable [(2)]	May 1999	2011	2021 [(4)]	A2100 AX (Lockheed Martin)
Nimiq 2	Not Applicable [(2)]	December 2002	2015	2024 [(5)]	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	2035	SSL 1300
Nimiq 6	91.1º WL Canada	May 2012	2027	2048	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	109.2°WL Southern United States, South and Central America	October 1999	2012	2027 [(5)]	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 [(3)]	138° EL India, South East Asia, China, Australia and Hawaii	June 2004	2017	2018 [(6)]	SSL 1300

(1) Telesat's current estimate of when each satellite will be decommissioned, taking account of anomalies and malfunctions the satellites have experienced to date and other factors such as remaining fuel levels, consumption rates and other available engineering data. These estimates are subject to change and it is possible that the actual orbital maneuver life of any of these satellites will be shorter than Telesat currently anticipates. Further, it is anticipated that the payload capacity of each satellite may be reduced prior to the estimated end of orbital maneuver life. For example, Telesat currently anticipates that it 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) Nimiq 1 and Nimiq 2 are currently located in non-Telesat orbital slots.

(3) 54% of the transponders on the satellite are leased to APT (the "APT transponders"), through the end of life of the satellite in consideration for APT's funding a portion of the satellite's cost. This transaction was accounted for as a sales-type lease, because substantially all of the benefits and risks incident to the ownership of the leased transponders were transferred to APT. Telesat has agreed with APT among other things that if Telesat is able to obtain the necessary approvals and licenses from the U.S. government under U.S. export laws, it would transfer title to the APT transponders on Telstar 18 to APT, as well as a corresponding interest in the elements on the satellite that are common to or shared by the APT transponders and the Telesat transponders. Telesat acquired two transponders from APT for an additional payment in August 2009.

(4) Inclined orbit operations may be utilized to reach the projected End of Orbital Maneuver Life for Nimiq 1 in the event the satellite is relocated. The start of inclined orbit operations will be selected accordingly.

(5) 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 stationkeeping.

(6) The End of Orbital Maneuver Life for Telstar 18 is expected to be extended through inclined orbit operations to 2028.

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 is currently evaluating mission extension services that have the potential to prolong the orbital maneuver lives of certain of its satellites. However, there can be no assurance that Telesat will contract for the use of these mission extension services or that, if it does so, the services will be successful.

In November 2015, Telesat entered into contractual arrangements with Space Systems/Loral, LLC (formerly known as Space Systems/Loral, Inc.) ("SSL") for the construction of Telstar 19 VANTAGE, which it anticipates will be launched in mid-2018. This new state-of-the-art satellite will utilize high throughput capabilities to offer superior performance in Ku-band and in Ka-band and will be co-located with Telesat's Telstar 14R/Estrela do Sul 2 satellite at 63˚ WL, a prime orbital slot for coverage of the Americas. The satellite will have high throughput Ka-band capacity in South America, over Northern Canada, the Caribbean and the North Atlantic Ocean. It will also provide high throughput Ku-band capacity over Brazil, the Andean region and the North Atlantic.

In December 2015, Telesat entered into contractual arrangements with SSL for the construction of Telstar 18 VANTAGE, which it anticipates will be launched in mid-2018. The new satellite will operate from 138˚ EL. Telstar 18 VANTAGE will expand Telesat's coverage of growing satellite service markets in China, Mongolia, Southeast Asia, and the Pacific Ocean region. This satellite will utilize a combination of broad regional beams and high throughput spot beams in Ku-band to maximize throughput and spectral efficiency. It will also provide extensive C-band coverage of Asia that reaches from India and Pakistan in the West all the way to Hawaii in the East, enabling direct connectivity from any point in Asia to the Americas.

In April 2016, Telesat announced the procurement of two Phase 1 Ka-band satellites for operation in low earth orbit. In November 2017, the first Phase 1 satellite was launched on a Soyuz launch vehicle. The launch was a failure due to an anomaly with the launch vehicle and resulted in the loss of the satellite. The second Phase 1 satellite was successfully launched in January 2018.

Satellite Services Performance [(1)]

Loral holds a 62.7% economic interest and a 32.7% 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).

	Year ended December 31,		
	2017	2016	2015
	(In thousands)		
Revenue:			
Total segment revenues	$ 712,390	$ 703,131	$ 751,684
Affiliate eliminations [(2)]	(712,390)	(703,131)	(751,684)
Revenues from satellite services as reported	$ —	$ —	$ —
Operating income:			
Total segment operating income	$ 371,847	$ 366,272	$ 419,969
Affiliate eliminations [(2)]	(371,847)	(366,272)	(419,969)
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 $4.1 billion, $4.2 billion and $4.0 billion as of December 31, 2017, 2016 and 2015, respectively. The change in total assets from December 31, 2016 to December 31, 2017 is primarily the result of a distribution to Telesat's shareholders and option holders in the aggregate of approximately $400 million, partially offset by the change in foreign exchange rates. The change in total assets from December 31, 2015 to December 31, 2016 is primarily the result of the change in foreign exchange rates. Backlog was approximately $3.0 billion and $3.2 billion as of December 31, 2017 and 2016, respectively. The decrease in backlog is due to revenues recognized, partially offset by new orders and exchange rate changes. It is expected that approximately 18.8% of the backlog at December 31, 2017 will be recognized as revenue by Telesat in 2018.

Sale of SSL

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

Following a mediation session held on December 1, 2014, Loral and MDA entered into an agreement titled "MDA/Loral Dispute Resolution" dated December 1, 2014 (the "Allocation Agreement"), pursuant to which Loral and MDA agreed that Loral was responsible for $45 million, and MDA and SSL were responsible for $55 million, of the $100 million litigation settlement with ViaSat. Culminating with the final installment payment of $2.8 million in January 2017, Loral paid a total of $46.1 million, including interest, as its share of the ViaSat settlement (see Note 13 to the Loral consolidated financial statements).

Other

We also own 56% of XTAR, LLC ("XTAR"), a joint venture between Loral and Hisdesat Servicios Estrategicos S.A. ("Hisdesat"). We account for our ownership interest in XTAR under the equity method of accounting because we do not control certain of its significant operating decisions. XTAR owns and operates an X-band satellite, XTAR-EUR located at 29˚ EL, which entered service in March 2005. The satellite is designed to provide X-band communications services exclusively to United States, Spanish and allied government users throughout the satellite's coverage area, including Europe, the Middle East and Asia. The government of Spain granted XTAR rights to an X-band license, normally reserved for government and military use, to develop a commercial business model for supplying X-band capacity in support of military, diplomatic and security communications requirements. XTAR also leases 7.2 72 MHz X-band transponders (subject to certain temporary reductions for 2017) on the Spainsat satellite located at 30˚ WL owned by Hisdesat, which entered commercial service in April 2006. These transponders, designated as XTAR-LANT, allow XTAR to provide its customers in the U.S. and abroad with additional X-band services and greater flexibility. XTAR currently has contracts to provide satellite telecommunication services to various agencies of the United States, Spanish and other European governments. For more information on XTAR see Note 5 to the Loral consolidated financial statements.

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 International Telecommunication Union ("ITU"). Telesat's ability to provide satellite services in a particular country or region is subject also to the technical constraints of its satellites, international coordination, local regulation including as it applies to securing landing rights and licensing requirements.

Canadian Regulatory Environment

Telesat was 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. The exercise by the CRTC of its rights under section 28(2) of the Telecommunications Act could affect Telesat's relationship with existing customers, which could have a material adverse effect on Telesat's results of operations, business prospects and financial condition.

Telesat's operations are also subject to regulation and licensing by 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 FSS and broadcast satellite services ("BSS") in Canada. As a result of the consultation, changes in policy were announced in November 2013. 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. 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 and may limit the spectrum that is available for satellite services.

The Canadian government opened Canadian satellite markets to foreign satellite operators as part of its 1998 World Trade Organization ("WTO") commitments to liberalize trade in basic telecommunications services, with the exception of DTH television services provided through FSS or DBS facilities. Satellite digital audio radio service markets were also closed to foreign entry until 2005. In September 2005, the Canadian government revised its satellite-use policy to permit the use of foreign-licensed satellites for digital audio radio services in Canada. Further liberalization of the policy may occur and could result in increased competition in Canadian satellite markets.

Since November 2000, pursuant to the CRTC's Decision CRTC 2000-745, virtually all telecommunications service providers are required to pay contribution charges based on their Canadian telecommunications service revenues, minus certain deductions (e.g., terminal equipment sales and inter-carrier payments). The contribution rate varies from year to year. It was initially set at 4.5% of eligible revenues but was significantly reduced in subsequent years. The rate for 2017 was 0.60%, and an interim rate of 0.54% has been established by the CRTC for 2018.

United States Regulatory Environment

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

Telesat has chosen to operate its U.S. licensed satellites, Telstar 11N, Telstar 12 and Telstar 12 VANTAGE, on a non-common carrier basis. Consequently, it is not subject to rate regulation or other common carrier regulations enacted under the Communications Act of 1934. Telesat pays FCC filing fees in connection with its space station and earth station applications and annual fees to defray the FCC's regulatory expenses. Annual and quarterly status reports must be filed with the Universal Service Administrative Company ("USAC") covering interstate/international telecommunications revenues. Based on these reports, USAC assesses Telesat for contribution 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 proposed to be set at 19.5% for the first quarter of 2018. At the present time, the FCC does not assess USF contributions with respect to bare transponder capacity (i.e. agreements for space segment only). Telesat's United States telecom revenues that are subject to USF contribution requirements are currently small and its USF payments are not material.

Telesat also owns and operates the portion of the ViaSat-1 satellite (115 ^{o} WL) payload that is capable of providing service within Canada. The ViaSat-1 satellite is licensed by the United States.

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. Under licensing 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% and 100% of the satellites in a non-geostationary satellite constellation. According to current licensing rules, the FCC will issue new satellite licenses for an initial 15-year term and will provide a licensee with an "expectancy" that a subsequent license will be granted for the replacement of an authorized satellite using the same frequencies. At the end of the 15-year term, a satellite that has not been replaced, or that has been relocated to another orbital location following its replacement, may be allowed to continue operations for a limited period of time subject to certain restrictions. 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. New spectrum allocations may require satellite operators to vacate or share spectrum and may limit the spectrum that is available for satellite services.

To facilitate the provision of FSS in C-, Ku- and Ka-band frequencies in the United States market, foreign licensed operators may apply to have their satellites placed on the FCC's Permitted Space Station List (for certain frequencies) or be granted a declaratory ruling (for other frequencies). The bond and milestone requirements for U.S.-licensed satellites apply equally to authorized foreign-licensed satellites. Telesat's Anik Fl, Anik FlR, Anik F2, Anik F3, Telstar 14R/Estrela do Sul 2 satellites, the Telstar 19 VANTAGE satellite under construction and the Ka-band LEO constellation being developed are currently authorized to serve the U.S. market in accordance with these procedures.

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

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

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. These ITAR provisions may limit Telesat's access to certain technical information and may have a negative impact on Telesat's international consulting revenues.

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

Regulation Outside Canada and the United States

The Brazilian national telecommunications agency, ANATEL, grants exploitation rights for Brazilian satellites to companies incorporated and existing in Brazil which participate in specific auctions conducted by ANATEL and which 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 are 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 sold or negotiated in Brazil through the local legal representative. In exploitation and landing rights of Brazilian and foreign satellites, the rights are granted on an onerous basis and are valid for 15 years for Brazilian satellites (renewable once for an additional 15 years) and up to 15 years for foreign satellites (renewable once for an additional equal period).

ANATEL has authorized Telesat, through its subsidiary, Telesat Brasil Capacidade de Satélites Ltda. (“TBCS”), to operate a Ku-band FSS satellite at the 63° WL orbital location. In December 2008, TBCS entered into a new 15-year Concession Agreement with ANATEL which obligates TBCS to operate the satellite in accordance with Brazilian telecommunications law and contains provisions to enable ANATEL to levy fines for failure to perform according to the Concession 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 in March 2016 for Telstar 19 VANTAGE.

In addition, ANATEL has accredited TBCS as legal representative in Brazil of three non-Brazilian satellites; Telstar 12 VANTAGE, Anik F1 and Anik G1.

Telesat owns Telstar 18, which currently operates at the 138° EL orbital location under an agreement with APT. Telstar 18 VANTAGE will replace Telstar 18 at the same orbital location, also under an agreement with APT. APT has been granted the right to use the 138° EL orbital location by The Kingdom of Tonga. APT is the direct interface with the Tonga regulatory bodies. Because Telesat gained access to this orbital location through APT, there is uncertainty with respect to its 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. 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, and 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 satellites 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 and time limits for bringing the frequencies into use. Other 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 and United Kingdom) 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 its 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 with the ITU its proposed use of frequencies, 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 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 to eight 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. This, in turn, could have a material adverse impact on Telesat's financial condition, as well as on the value of its business. The failure to reach an appropriate arrangement with such satellite operators may render it impossible to secure entry into the MIFR and result in substantial restrictions on the use and operations of Telesat's existing satellites. 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.

The ITU is considering and may adopt at the World Radio Conference in November 2019, new international spectrum allocations to terrestrial mobile, satellite and other services. New international spectrum allocations may require satellite operators to vacate or share spectrum and may limit the spectrum that is available for satellite services. Although non-governmental entities, including Telesat, participate at the ITU, only national administrations have full standing as ITU members. Consequently, Telesat must ultimately rely on the administrations of Canada, the United States, Brazil, the United Kingdom and the Kingdom of Tonga to represent its interests, including submitting and coordinating the ITU satellite networks that provide frequency information within the ITU process described above.

Some of the international and domestic regulations governing NGSO satellites are undergoing revision or have yet to be established. Both Canada and the U.S. have recently adopted new deployment milestones for NGSO systems and the ITU is expected to adopt new deployment milestones for the maintenance of international NGSO filings at the World Radio Conference in November 2019. New international milestones could limit Telesat's ability to maintain international priority rights for its planned LEO constellation. In addition, while the international rules governing coordination between Ka-band NGSO satellite systems are established and rely on international filing date priority, the US has adopted a different approach to NGSO-NGSO coordination that requires band splitting if NGSO operators are unable to reach a coordination agreement. As a result, the amount of spectrum that may be available to Telesat's planned LEO constellation in the U.S. is uncertain. It is possible that other jurisdictions may adopt the U.S. approach to coordination between NGSO systems. Some of the spectrum utilized by Telesat's planned LEO constellation is also allocated to terrestrial fixed and mobile services and geostationary satellite services. While jurisdictions such as the U.S. have established rules for sharing the spectrum, many jurisdictions have yet to address this issue. Telesat's ability to use shared spectrum for its planned LEO constellation may be impacted by new rules or the absence of rules for spectrum sharing.

PATENTS AND PROPRIETARY RIGHTS

As of December 31, 2017, Telesat owned eleven issued patents, seven of which are in the United States. These patents expire between 2018 and 2030. 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 development of Telesat's planned LEO constellation.

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, 2017, 2016 and 2015 are tabulated below:

	Year ended December 31,		
	2017	2016	2015
	(In thousands)		
Canada	$ 319,379	$ 322,030	$ 338,955
United States	238,924	241,254	254,206
Others	154,087	139,847	158,523
	$ 712,390	$ 703,131	$ 751,684

At December 31, 2017, 2016 and 2015, substantially all of Telesat's long-lived assets were located outside of the United States, 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, 2017, Loral had 21 full-time employees.

As of December 31, 2017, Telesat and its subsidiaries had approximately 386 full-time and part-time employees, approximately 3.4% of whom are subject to collective bargaining agreements. Telesat's employee body is primarily comprised of professional engineering, sales and marketing staff, administrative staff and skilled technical workers. Telesat considers its employee relations to be good.

AVAILABLE INFORMATION

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports are available without charge on our web site, www.loral.com, as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission. Copies of these documents also are available in print, without charge, from Loral's Investor Relations Department, 600 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. Financial and Telesat Investment Risk Factors

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.

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

At December 31, 2017, Telesat had outstanding indebtedness of $2.9 billion, which matures in 2023 and 2024, and additional borrowing capacity of $200 million under its revolving facility which matures in 2021. Approximately $2.6 billion of this total borrowing capacity is secured by substantially all of the assets of Telesat. This indebtedness represents a significant amount of indebtedness for a company the size of Telesat. The agreements governing this indebtedness impose operating and financial restrictions on Telesat's activities. These restrictions on Telesat's ability to operate its business could seriously harm its business by, among other things, limiting its ability to take advantage of financing, merger and acquisition and other corporate opportunities, which could in time adversely affect the value of our investment in Telesat. 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 $4.8 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, 2017, 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.

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, 2017 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 52% of Telesat's revenues, 42% of its operating expenses, 100% of its interest expense and a majority of its capital expenditures for 2017 were denominated in U.S. dollars. As of December 31, 2017, a five percent increase (decrease) in the Canadian dollar against the U.S. dollar would have increased (decreased) Telesat's net income by approximately $129 million. This analysis assumes all other variables 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 2017, the exchange rate moved from U.S. $1.00/CAD 1.3441 at December 31, 2016 to U.S. $1.00/CAD 1.2571 at December 31, 2017.

While we own 62.7% of Telesat on an economic basis, we own only 32.7% 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 62.7% of the economic interests in Telesat, we hold only 32.7% 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 the Public Sector Pension Investment Board ("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 31.1% 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 67.3% of the voting interests for all other matters, together own a majority of Telesat's voting power, circumstances may occur where our interests and those of PSP diverge or are in conflict. For example, it is likely that any strategic transaction involving our ownership interests in Telesat that we wish to pursue will require the cooperation of PSP, and PSP may not share our objectives or wish to pursue transactions in which we are interested or any transaction at all. 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, or 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.

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 subsidiary, SSL, to 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.

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 management and 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 62.7% of Telesat on an economic basis, we own only 32.7% 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 (see below “The initial public offering of Telesat and related governance changes that we have requested may not occur or may proceed in a manner contrary to our requests”), 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.

XTAR has not generated sufficient revenues to meet all of its substantial contractual obligations, and XTAR may be unable to pay these obligations when due, which could ultimately result in a restructuring of XTAR.

XTAR has not been successful in leasing a significant portion of its available capacity, and, in fact, in recent years revenues have been declining. For example, XTAR’s revenues declined by approximately 10% from 2016 to 2017 and 28% from 2015 to 2016. As a result, XTAR has deferred certain payments owed to us, Hisdesat and Telesat, including payments due under an agreement with Hisdesat to lease certain transponders on the Spainsat satellite (the “Spainsat Lease Agreement”). These lease obligations require payment by XTAR up to a maximum of $28 million per year through the end of the useful life of the satellite which is estimated to be in 2021. In September 2016, XTAR and Hisdesat amended the Spainsat Lease Agreement to, among other things, reduce for 2016 and 2017 the minimum capacity required to be leased by XTAR, and accordingly lease payments by XTAR for 2016 and 2017 were reduced from $26 million to $18.2 million. The 2016 reduction was retroactive to January 1, 2016. In January 2017, XTAR and Hisdesat amended the Spainsat Lease Agreement to, among other things, reduce the minimum capacity required to be leased by XTAR for 2017, and accordingly lease payments by XTAR for 2017 were reduced to $9.5 million. In January 2018, XTAR and Hisdesat again amended the Spainsat Lease Agreement to, among other things, reduce the minimum capacity required to be leased by XTAR for 2018, and accordingly lease payments by XTAR for 2018 were reduced from $26 million to $10.0 million. In addition, XTAR has entered into an agreement with Hisdesat whereby the past due balance on the Spainsat transponders of $32.3 million as of December 31, 2008, together with a deferral of $6.7 million in payments due in 2009, became payable to Hisdesat over 12 years through annual payments of $5 million. As of December 31, 2017 and 2016, XTAR has deferred payment of liabilities of $32.7 million and $28.8 million, respectively, for its lease obligation and Catch-Up Payments to Hisdesat. XTAR’s lease and other obligations to Hisdesat, which will aggregate in excess of $70 million over the remaining life of the satellite as of December 31, 2017, are substantial, especially in light of XTAR’s limited revenues to date. XTAR has agreed that most of its excess cash balance would be applied towards making limited payments on these obligations, as well as payments of other amounts owed to us, Hisdesat and Telesat in respect of services provided by them to XTAR. Unless XTAR is able to generate a substantial increase in its revenues, these obligations will continue to accrue and grow, and, absent agreement to further defer all or some these obligations, XTAR may be unable to pay them when due, which ultimately could result in a restructuring of XTAR. As of December 31, 2017, $6.8 million was due to Loral from XTAR and we had an allowance of $6.6 million against these receivables.

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.

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

We have previously explored, and are exploring, potential strategic transactions involving Telesat. In the future, we expect to continue to pursue strategic alternatives involving Telesat with the goal of maximizing shareholder value. The process of pursuing a strategic transaction will result in transaction costs and may result in the diversion of the attention of operating management of Telesat from business operations, the disclosure of confidential information to competitors or potential customers as part of a due diligence process and an adverse perception of Telesat in the marketplace which could, among other things, adversely affect Telesat's ability to win new business. Any of such results could have a material adverse effect on our financial condition and results of operations whether or not a strategic transaction is consummated. There can be no assurance whether or when any transaction involving Loral or Telesat will occur, and, even if a transaction is consummated, there can be no assurance as to whether or to what degree such a transaction will be successful in maximizing value to our shareholders.

We may explore and evaluate possible strategic transactions and alliances other than those involving Telesat which require financing which may not be available at all or on favorable terms.

Loral may, in addition to exploring strategic transactions involving Telesat, from time to time, explore and evaluate possible strategic transactions and alliances which may include joint ventures and strategic relationships as well as business combinations or the acquisition or disposition of assets. In order to pursue certain of these opportunities, additional funds are likely to be required. There can be no assurance that we will enter into additional strategic transactions or alliances, nor do we know if we will be able to obtain the necessary financing for transactions that require additional funds on favorable terms, if at all.

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

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

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.

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.

II. 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.

Despite working closely with satellite manufacturers to determine the causes of anomalies and mitigate them in new satellites and to provide for intrasatellite redundancies for certain critical components to minimize or eliminate service disruptions in the event of failure, anomalies are likely to be experienced in the future, whether due to the types of anomalies described above or arising from the failure of other systems or components, and intrasatellite redundancy may not be available upon the occurrence of such anomalies. There can be no assurance 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.

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 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 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.

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 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 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.

In Canada, the CRTC has mandated that broadcast distributors, including DTH operators, provide consumers with the option of ''skinny basic'' or ''pick and pay'' packages. These packages will allow consumers to choose both the number and the specific channels they wish to receive beyond the entry level service offering as compared to the traditional subscription model which required consumers to sign up and pay for a large basic service and encouraged them to subscribe for up to several hundred channels. If consumers only subscribe to an entry level package or significantly reduce their subscriptions it could reduce the revenue Telesat's customers receive for their DTH offerings. In turn, Telesat's customers may choose to reduce the number of channels they deliver to consumers which would reduce the amount of satellite capacity they consume, adversely impacting Telesat's revenue.

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 year and the number presently under construction, many of which contain high throughput payloads, 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 may lead to a decrease in rates charged for satellite services which could adversely affect Telesat's results.

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 the demand for Telesat's services.

Telesat expects a substantial portion of its ongoing business will continue to be in the Canadian domestic market. This market is characterized by increasing competition among satellite providers and rapid technological development. Historically, the Canadian regulatory framework has required the use of Canadian-licensed satellites for the delivery of DTH video programming in Canada. It is possible that this framework could change and allow non-Canadian satellite operators that have adequate service coverage in Canadian territory to compete for future business from Telesat's DTH customers.

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

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

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. The introduction of first generation high throughput satellites ("HTS"), such as ViaSat-1, Jupiter 1 and Intelsat's "Epic" line of HTS, all of which are able to transmit substantially more data than preexisting satellites, may decrease demand and/or prices for traditional satellite capacity. Many of the new and replacement satellites to be deployed in the near term will be HTS or include high throughput payloads. In addition, second generation HTS systems recently launched and in development purport to be capable of throughput that substantially exceeds the throughput of first generation HTS. While Telesat owns the high throughput Canadian payload on ViaSat-1 and has incorporated high throughput payloads on its Telstar 12 VANTAGE satellite and the Telstar 18 VANTAGE and Telstar 19 VANTAGE satellites currently under construction, the introduction of more, and more capable, HTS 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 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 planned LEO constellation, and Telesat may ultimately choose not to proceed with the project, it may proceed with the project and the project may not be successful or, irrespective of the foregoing, Telesat's pursuit of a LEO constellation may negatively impact its existing business, all of which could have a material adverse effect on Telesat's operations, business prospects, financial condition and its ability to repay its debt.

Telesat is currently developing an advanced, global LEO constellation consisting of over one hundred, and potentially several hundred, satellites in non-geostationary orbit. There are numerous risks and uncertainties associated with NGSO constellations generally and with Telesat's LEO constellation specifically.

NGSO constellations are complex. In order to operate successfully, 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, much of the technology necessary for the successful operation of a LEO constellation, in particular the Telesat LEO constellation, is still in development. Telesat's LEO constellation design incorporates leading-edge satellite technologies, including on-board data processing, multi-beam phased array antennas, and optical inter-satellite links, that have not been fully developed for space application at the scale, levels of performance and price points that Telesat requires. 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 manufacture, particularly electronic flat panel antennas capable of acquiring and tracking LEO satellites. If Telesat's LEO constellation does not deliver a high 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 despite Telesat's concerted effort to do so, Telesat may not be able to sufficiently overcome the technological hurdles required to complete its planned LEO constellation or Telesat may implement its LEO constellation and, due to technological issues that Telesat did not foresee or which Telesat did not effectively address, Telesat's LEO constellation may not operate as planned.

In order to operate Telesat's LEO 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 which has global ITU priority. However, the regulatory framework relating to NGSO spectrum rights remains uncertain. Some of the international and domestic regulations governing NGSO satellites are undergoing revision or have yet to be established. Both Canada and the U.S. have recently adopted new deployment milestones for NGSO systems and the ITU is expected to adopt new deployment milestones for the bringing-into use and maintenance of international NGSO filings at the World Radio Conference in November 2019. New milestones could adversely impact Telesat's ability to maintain priority rights for its planned LEO constellation. Irrespective of any change in regulations, under current ITU rules, Telesat must successfully bring into use its Ka-band rights by placing a satellite in its low earth orbit by the current deadline, failing which, Telesat may lose its ITU priority which could impair or preclude the deployment of its LEO constellation. In addition, while the international rules governing coordination between NGSO 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 if NGSO operators are unable to reach a coordination agreement. As a result, the amount of spectrum that may be available to Telesat for its LEO 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 Telesat's LEO constellation is also allocated to terrestrial fixed and mobile services and geostationary satellite services. Other portions of the spectrum Telesat plans to use are under consideration for being designed for terrestrial fixed and mobile services. While some jurisdictions have established rules for sharing the spectrum, many jurisdictions have yet to address this issue. Telesat's ability to use shared spectrum for its LEO constellation may be adversely impacted by new rules or the absence of rules for spectrum sharing. In addition, in order to successfully sell services on Telesat's LEO constellation, Telesat will require market access to each country in which its customers are located. It is uncertain if Telesat will be successful in obtaining market access to all of the countries needed to make its LEO constellation commercially successful.

The implementation of Telesat's planned LEO constellation will require a substantial outlay of capital. Telesat may not be able to raise sufficient capital for any number of reasons. If Telesat is unable to raise sufficient capital, Telesat will not be able to build and deploy its LEO constellation. In addition, if Telesat is successful in raising sufficient capital to fund the LEO constellation and the constellation does not operate as expected or is otherwise commercially unsuccessful, Telesat may not be able to repay all or a substantial part of its debt.

Although Telesat believes there is a significant market for its LEO 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 and its ability to pay its debt.

The development and deployment of Telesat's LEO constellation may place a significant burden on its management and other internal resources. The diversion of management's attention and internal resources to Telesat's LEO constellation and away from its existing operations could harm Telesat's business and operating results.

If successfully implemented, Telesat's LEO constellation may decrease demand for its other satellite services.

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

Telesat anticipates that its satellites will have the end-of-orbital maneuver life dates described above in Item1-Business. For all but one of Telesat's satellites, the expected end-of-orbital maneuver life date goes beyond the manufacturer's end-of-service life date. A number of factors will affect the actual commercial service lives of Telesat's satellites, including: the amount of propellant used in maintaining the satellite's orbital location or relocating the satellite to a new orbital location (and, for newly-launched satellites, the amount of propellant used during orbit raising following launch); the durability and quality of their construction; the performance of their components; conditions in space such as solar flares and space debris; operational considerations, including operational failures and other anomalies; and changes in technology which may make all or a portion of Telesat's satellite fleet obsolete.

Telesat has been forced to 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, 2017, the total net book value of Telesat's six in-orbit satellites for which it does not have insurance (Nimiq 1, Nimiq 2, Anik F1, Telstar 12, Telstar 18 and ViaSat-1) was approximately CAD 35 million. Telesat's insurance does not protect it against business interruption, loss of revenues or delay of revenues. In addition, Telesat does not insure the net book value of performance incentives that may be payable to a satellite's manufacturer as these are payable only to the extent that the satellite operates in accordance with contracted technical specifications. Telesat's existing launch and in-orbit insurance policies include, and any future policies that Telesat obtains can be expected to include, specified exclusions, deductibles and material change limitations. Typically, these insurance policies exclude coverage for damage or losses arising from acts of war, anti-satellite devices, electromagnetic or radio frequency interference and other similar potential risks for which exclusions are customary in the industry at the time the policy is written. In addition, they typically exclude coverage for satellite health-related problems affecting Telesat's satellites that are known at the time the policy is written or renewed. Any claims under existing policies are subject to settlement with the insurers and may, in some instances, be payable to Telesat's customers.

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. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods, higher loss percentages required for constructive total loss claims and additional satellite health-related policy exclusions. There can be no assurance that, upon the expiration of an in-orbit insurance policy, which typically has a term of one year, Telesat will be able to renew the policy on terms acceptable to it.

Subject to the requirements of Telesat's senior credit facilities and the indenture governing Telesat's 8.875% senior notes, 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, 2017, Telesat's top five customers together accounted for approximately 55% of its revenues. At December 31, 2017, Telesat's top five backlog customers together accounted for approximately 87% 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 revolving credit facility or obtain additional financing to replace the satellite. If Telesat determines that it needs to obtain additional funds through external financing and is unable to do so, Telesat may be prevented from fully implementing its business strategy.

The availability and cost to Telesat of external financing depends on a number of factors, including its credit rating and financial performance and general market conditions. Telesat's ability to obtain financing generally may be influenced by the supply and demand characteristics of the telecommunications sector in general and of the 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.

In certain circumstances, Telesat is required to obtain the approval of its shareholders to incur additional indebtedness. There can be no assurances that Telesat will receive such approval, if required.

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

As an operator of a global satellite system, Telesat is regulated by government authorities in Canada, the United States, Brazil and other countries in which it operates.

In Canada, Telesat's operations are subject to regulation and licensing by ISED pursuant to the Radiocommunication Act (Canada) and by the CRTC, under the Telecommunications Act (Canada). ISED has the authority to issue licenses, establish standards, assign Canadian orbital locations, and plan the allocation and use of the radio frequency spectrum, including the radio frequencies upon which Telesat's satellites and earth stations depend. The Minister responsible for ISED has broad discretion in exercising this authority to issue licenses, fix and amend conditions of licenses, and to suspend or even revoke them. The CRTC has authority over the allocation (and reallocation) of satellite capacity to particular broadcasting undertakings. Some of Telesat's service agreements are subject to CRTC approval. Telesat is required to pay different forms of "universal service" charges in Canada and have certain research and development obligations that do not apply to other satellite operators with which it competes. These rates and obligations could change at any time.

In the United States, the FCC regulates the provision of satellite services to, from, or within the United States. Certain of Telesat's satellites are owned and operated through a U.S. subsidiary and are regulated by the FCC. In addition, to facilitate the provision of FSS satellite services in C-, Ku- and Ka-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). Telesat's Anik Fl, Anik FlR, Anik F2, Anik F3 and Telstar 14R/Estrela do Sul 2 and its upcoming Telstar 19 VANTAGE satellites are currently authorized to serve the U.S. market in accordance with these procedures. The export from the United States of satellites and technical information related to satellites, earth station equipment and provision of services to certain countries are subject to State Department, Commerce Department and Treasury Department regulations, in particular the ITAR which currently includes satellites on the list of items requiring export permits. These ITAR provisions have constrained Telesat's access to technical information and have had a negative impact on its international consulting revenues. In addition, Telesat and its satellite manufacturers may not be able to obtain and maintain necessary export authorizations which could adversely affect Telesat's ability to procure new United States-manufactured satellites; control its existing satellites; acquire launch services; obtain insurance and pursue its rights under insurance policies; or conduct its satellite-related operations and consulting activities.

Telesat also operates satellites through licenses granted by, and are subject to regulations in, countries other than Canada and the United States. For example, the Brazilian national telecommunications agency, ANATEL, regulates the granting of exploitation and landing rights to the operation of Brazilian and foreign satellites and their use to transport telecommunication signals. ANATEL has authorized Telesat, through its subsidiary, TBCS, to operate Telstar 14R/Estrela do Sul 2, a Ku-band FSS satellite at 63° WL pursuant to a Concession Agreement and Telstar 19 VANTAGE, which is currently under construction. ANATEL has also accredited Telesat as the legal representative in Brazil for Telstar 12 VANTAGE, Anik F1 and Anik G1. Telstar 18 operates at the 138° EL orbital location under an agreement with APT, which has been granted the right to use the 138° EL orbital location by The Kingdom of Tonga.

In a number of countries, including Canada and the United States, 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.

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

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

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

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

The ITU establishes the Radio Regulations, an international treaty which contains the rules concerning frequency allocations and the priority to, coordination of, and use of, radio frequency assignments. The ITU Radio Regulations define the allocation of radio frequencies to specific uses. The ITU Radio Regulations are periodically reviewed and revised at World Radiocommunication Conferences (each, a "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. The ITU is currently reviewing and may adopt at the WRC in November 2019 new international spectrum allocations for terrestrial mobile and other 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 its existing or future orbital locations or spectrum.

The ITU Radio Regulations also establish operating procedures for satellite networks and prescribe detailed coordination, notification and recording procedures. With respect to the frequencies used by commercial satellites, the ITU Radio Regulations set forth a process for protecting earlier-registered satellite systems from interference from later-registered satellite systems. In order to comply with these rules, Telesat must coordinate the operation of its satellites, including any replacement satellite that has performance characteristics that are different from those of the satellite it replaces, with other satellites. This process requires potentially lengthy and costly negotiations with parties who operate or intend to operate satellites that could affect or be affected by Telesat's satellites. For example, in the third quarter of 2015, the Russian Satellite Communications Company ("RSCC") launched a satellite to operate at 14° WL, adjacent to Telesat's Telstar 12 when located at 15° WL. Pursuant to its coordination agreement with RSCC, Telesat was required to cease using certain frequencies on its Telstar 12 satellite as soon as RSCC's new satellite commenced service, which required Telesat to relocate some of its customers to alternate frequencies and reduced the available capacity on the satellite from which Telesat is able to earn revenue. The coordination agreement with RSCC also limited the frequencies Telesat was able to incorporate into its Telstar 12 VANTAGE satellite that was launched and entered service in the fourth quarter of 2015, which may adversely affect Telesat's ability to attract customers for Telstar 12 VANTAGE.

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

If Telesat does not make use of its spectrum rights by specified deadlines, or does not continue to use the orbital spectrum rights it currently uses, those rights may become available for other satellite operators to use.

Telesat's in-orbit satellites do not currently occupy all of the geostationary locations for which it has obtained regulatory authorizations. In some cases, the Telesat satellite that occupies a geostationary 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 that are not yet occupied.

In accordance with the ITU Radio Regulations, governments have rights to use certain geostationary locations and NGSO orbits and the associated radio frequencies. Certain of these governments have in turn authorized Telesat to use geostationary locations, NGSO orbits and associated radio frequencies in addition to those used by its current satellites. Under the ITU Radio Regulations, Telesat must bring into use these orbital locations, orbits and frequency assignments within a fixed period of time, or the governments in question would lose their international priority rights and the geostationary location or NGSO orbits, and associated frequencies 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 orbital spectrum by a specified time.

If Telesat is unable to place satellites into currently unused geostationary locations or NGSO orbits 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 it has been authorized at the geostationary locations that it currently uses, Telesat may lose its 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 its plans and its ability to implement its business strategy.

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.

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

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. 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.

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 and its telemetry, tracking and control ("TT&C") facility in Perth, Australia. These ground facilities are used for controlling Telesat's satellites and for the provision of end-to-end services to Telesat's customers.

Telesat may experience a partial or total loss of one or more of these facilities due to natural disasters (tornado, flood, hurricane or other such acts of God), fire, acts of war or terrorism or other catastrophic events. A failure at any of these facilities would cause a significant loss of service for Telesat customers. Additionally, Telesat may experience a failure in the necessary equipment at the satellite control center, at the back-up facility, or in the 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 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 to the U.S. Department of Defense, 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 its business, financial condition and results of operations. 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 SSL. There are also a limited number of suppliers able to launch such satellites, including International Launch Services, Arianespace, Mitsubishi Heavy Industries, Space Exploration Technologies Corp. ("SpaceX") and Lockheed Martin. Should any of Telesat's 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 its satellites. For example, many of Telesat's past launches were provided by International Launch Services, an entity owned by the Russian government. In response to the ongoing situation involving the Russian Federation in the Ukraine, various governments have implemented economic and other sanctions against Russia and its interests. U.S. law requires satellite manufacturers to obtain a license from the U.S. government for the export of certain prescribed U.S. technologies, if the export of the technology is to a Russian counterparty. Virtually all satellites manufactured outside of China contain prescribed U.S. technology. Should the U.S. implement sanctions having the effect of blocking the export of satellites containing prescribed U.S. technologies to Russian-controlled launch providers, it would lead to a reduction in launch alternatives and, as a result, could lead to increased launch costs or delays in the future, which could have an adverse impact on Telesat's business. In addition, in December 2017, the U.S. government adopted new legislation that prohibits the U.S. Secretary of Defense from procuring satellite services using satellites that were launched on a Russian launch vehicle.

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 on Telesat's consolidated balance sheet as of December 31, 2017 include goodwill with a carrying value of approximately CAD 2.4 billion and other intangible assets with a carrying value of approximately CAD 295 million. A valuation of goodwill and other intangible assets (such as orbital locations) with indefinite useful lives is undertaken on an annual basis, or whenever events or changes in circumstances indicate that the carrying amount is likely to exceed their recoverable amount. Telesat measures for impairment 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 consolidated statement of income (loss). 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 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.

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 U.S. State Department, Commerce Department and Treasury Department regulations. 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 and comply with 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 of its customers. Violations of these laws and regulations can also result in civil and criminal sanctions or penalties. Telesat's ability to acquire new satellites, launch new satellites or operate its satellites could also be negatively affected if its suppliers do not obtain required U.S. export authorizations.

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

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

III. Other Risks

We have been pursuing and will continue to pursue a strategic transaction with respect to our interest in Telesat; there can be no assurance, however, as to when or whether we will be able to conclude any such transaction.

Our principal asset is our majority ownership interest in Telesat. In an effort to maximize shareholder value, we have been exploring, and are in discussions with PSP regarding, potential strategic transactions to alter the status quo in our ownership of Telesat. Subject to market conditions and the cooperation of PSP, we continue to explore the combination of Loral and Telesat into one public company and/or the sale of Loral in connection with a sale of Telesat. Also, in 2015, we exercised our right under the Telesat Shareholders Agreement (the "Shareholders Agreement") to require that Telesat initiate a public offering, and we may further pursue this right in the event a combination transaction or a sale of Telesat is not likely to be achievable in a timely manner or on satisfactory terms. See "The initial public offering of Telesat and related governance changes that we have requested may not occur or may proceed in a manner contrary to our requests" below. There can be no assurance as to whether or when we will be able to conclude any strategic transaction or that any strategic initiatives or transaction involving Telesat or Loral may occur, or that any particular economic, tax, structural or other objectives or benefits with respect to any initiative or transaction involving Telesat or Loral's interest therein will be achieved.

We received a cash distribution from Telesat of $242.7 million; we intend to make a cash distribution to our stockholders from the proceeds of that distribution; there can be no assurance, however, as to the amount and timing of any such distribution, and such distribution may be impacted by the outcome of our discussions regarding, and the structure of, the strategic combination transaction with respect to our interest in Telesat that we are pursuing.

In the first quarter of 2017, we received $242.7 million in cash from Telesat, representing our share of an aggregate approximately $400 million distribution from Telesat to its shareholders and stock option holders. We intend to use the proceeds of such distribution, net of reasonable reserves for working capital and other liabilities, to make a distribution to our stockholders. There can be no assurance as to the amount and timing of any such distribution, and such distribution may be impacted by the outcome of our discussions regarding, and the structure of, the strategic combination transaction with respect to our interest in Telesat that we are pursuing.

The initial public offering of Telesat and related governance changes that we have requested may not occur or may proceed in a manner contrary to our requests.

Our Shareholders Agreement with PSP regarding Telesat provides for either PSP or Loral to initiate the process of conducting an initial public offering of the equity shares of Telesat (a "Telesat IPO"). In connection with our exploration of strategic initiatives to alter the status quo in our ownership of Telesat, in July 2015, we exercised our right under the Shareholders Agreement to require Telesat to conduct a Telesat IPO. Specifically, we requested that Telesat issue not more than 25 million newly issued shares of Telesat voting common stock. We also requested the termination of the Shareholders Agreement and the elimination of certain provisions in Telesat's Articles of Incorporation, both of which we believe are necessary to accommodate a successful public offering. If those provisions are eliminated, an impediment to the conversion of our non-voting Telesat shares to voting shares would be eliminated. Termination or modification of the Shareholders Agreement and conversion of our non-voting shares to voting shares would enable us, after a Telesat IPO and subject to the receipt of any necessary regulatory approvals, to obtain majority voting control of Telesat. Telesat selected two co-managing underwriters and informed us that it will work to implement a Telesat IPO pending our agreement with PSP on governance matters following a Telesat IPO. To date, no such agreement has been reached. In the event a combination transaction that we are pursuing or a sale of Telesat is not likely to be achievable in a timely manner or on satisfactory terms (see "We have been pursuing and will continue to pursue a strategic transaction with respect to our interest in Telesat; there can be no assurance, however, as to when or whether we will be able to conclude any such transaction," above), we may further pursue our right to a Telesat IPO. There can be no assurance as to whether, when or on what terms a Telesat IPO, termination or modification of the Shareholders Agreement or any requested changes to Telesat's Articles of Incorporation may occur or that any particular economic, tax, structural or other objectives or benefits with respect to a Telesat IPO will be achieved. If a Telesat IPO is expected to proceed under unfavorable terms or at an unfavorable price, we may withdraw our demand for a Telesat IPO.

We and PSP may assert legal claims against one another relating to Telesat; there can be no assurance, however, that our claims will be successful or that the relief we seek will be granted or that PSP will not prevail on its claims.

Depending upon the outcome of the strategic initiatives that we are pursuing (see "We have been pursuing and will continue to pursue a strategic transaction with respect to our interest in Telesat; there can be no assurance, however, as to when or whether we will be able to conclude any such transaction," above), we may assert certain claims against PSP for actions we believe violated our rights relating to the affairs of Telesat under the Telesat Shareholders Agreement and otherwise. In response to our claims, PSP has informed us that it believes that it may have claims against us, although we are not aware of the legal or factual basis for any such claims. We and PSP have agreed that, pending the outcome of our discussions relating to Telesat, it would be beneficial to delay the commencement of any action relating to either party's claims and have entered into an agreement (the "Tolling Agreement") which preserves the parties' rights to assert against one another legal claims relating to Telesat. We also included Telesat as a party to the Tolling Agreement because, as a technical matter of Canadian law and for purposes of potentially seeking equitable relief, Telesat may be a necessary party. There can be no assurance that if the Tolling Agreement lapses that we and PSP will not pursue legal claims against one another relating to Telesat. If we pursue claims against PSP, there can be no assurance that our claims will be successful or that the relief we seek will be granted. If PSP pursues claims against us, there can be no assurance that PSP will not prevail on its claims.

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

If the Telesat IPO that we have requested occurs, it is uncertain whether the offering would include a primary offering of shares by Telesat, a secondary offering of shares by either or both of the Telesat shareholders or a combination of both types of offerings. It is also uncertain what effect the Telesat IPO (and any corporate restructuring required in connection with such offering under the terms of the Telesat shareholders agreement) would have on Loral's governance rights in Telesat. Changes in our Telesat governance rights could adversely affect the value of our interest in Telesat and the price at which our common stock trades. In addition, a public market for Telesat equity would create a situation where there would be two separate public-market proxies for the value of Telesat – our stock and the Telesat stock. Telesat stock would represent a direct interest in Telesat, whereas the value of the common shares of Loral would also include other assets and liabilities, many of which are difficult to value. Having both Telesat stock and our stock trading publicly could create confusion in the market and could adversely affect the liquidity and/or trading values of either our or Telesat's common stock.

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 62.7% of the participating shares of Telesat, we own only 32.7% 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. For example, it is likely that any strategic transaction involving Telesat or XTAR that we wish to pursue will require the cooperation of our joint venture partners, and our partners may not share our objectives or wish to pursue a transaction in which we are interested or any transaction at all.

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 pursue strategic alternatives with regard to Telesat and XTAR could be adversely affected.

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 and our ability to operate our respective businesses depends, in part, on the continuing operation 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 communication systems, as well as software applications developed internally and externally to, among other things, effectively manage the accounting and financial functions, including maintaining internal controls, 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. Although we and Telesat take steps to secure information technology and communications systems, including computer systems, intranet and internet sites, email and other telecommunications and data networks, the security measures implemented have not always been effective.

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. Moreover, some of these systems are not fully redundant, and disaster recovery planning cannot account for all eventualities. Telesat's and 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. While Telesat's or our insurance coverage could offset losses relating to some of these types of events, to the extent any such losses are not covered by insurance, a serious disruption to systems could significantly limit Telesat's or our ability to manage and operate our business efficiently, which in turn could have a material adverse effect on our business, reputation, results of operations and financial condition.

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

As of December 31, 2017, 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, 2017. As of March 9, 2018, 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 National Market, has generally been light, averaging approximately 45,100 shares per day for the year ended December 31, 2017. 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, 2017, 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 75,262 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 with 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, 2017, we had various tax attributes including carryforwards for federal net operating losses ("NOLs") of $139.7 million and foreign tax credits ("FTCs") of $104.9 million and state NOLs and tax credits 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 December 31, 2017 was 1.96%, was less than $32.6 million. As of December 31, 2017, the total market value of our equity ($1.4 billion) multiplied by the federal applicable long-term tax exempt rate was approximately $26.7 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.

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

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

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 14 of Telesat's 15 satellites as well as ViaSat-1 and numerous other satellites for third parties. Telesat's Telstar 14R/Estrela do Sul 2 satellite is operated from Telesat's SCC in Rio de Janeiro, Brazil. Telesat leases approximately 112,000 rentable square feet for its Ottawa headquarters pursuant to a lease which commenced February 1, 2009 and provides for a 15 year term (terminable by Telesat Canada at any time after 10 years upon two years notice). In January 2017, Telesat gave notice that it would be terminating its lease effective January 31, 2019. Telesat is moving its headquarters to a location in downtown Ottawa comprised of approximately 76,000 rentable square feet. The new lease commences on February 1, 2019 and 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 TT&C 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 satellite control center 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 12 other earth stations in Canada, the United States, Brazil and Australia.

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 discuss certain legal proceedings against the Company in the notes to the Loral consolidated financial statements and refer you to that discussion for important information concerning those legal proceedings, including the basis for such actions and relief sought. See Note 13 to the Loral consolidated financial statements for this discussion.

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 that Article IV(a) of the amended and restated certificate of incorporation, which provides for, among other things, the equal treatment of the non-voting common stock with the voting common stock, may not be amended, altered or repealed without the affirmative vote of holders of a majority of the outstanding shares of the non-voting common stock, voting as a separate class. Except as otherwise provided in the amended and restated certificate of incorporation or bylaws of Loral, each holder of Loral voting common stock is entitled to one vote in respect of each share of Loral voting common stock held of record on all matters submitted to a vote of stockholders.

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

Our voting common stock trades on the NASDAQ National Market under the ticker symbol "LORL." The table below sets forth the high and low sales prices of Loral voting common stock as reported on the NASDAQ National Market from January 1, 2016 through December 31, 2017.

	High	Low
Year ended December 31, 2017		
Quarter ended December 31, 2017	$ 51.75	$ 43.00
Quarter ended September 30, 2017	49.55	40.50
Quarter ended June 30, 2017	43.75	36.80
Quarter ended March 31, 2017	42.10	38.00
Year ended December 31, 2016		
Quarter ended December 31, 2016	$ 42.20	$ 35.55
Quarter ended September 30, 2016	40.17	33.85
Quarter ended June 30, 2016	41.04	32.04
Quarter ended March 31, 2016	40.57	29.55

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

(b) Approximate Number of Holders of Common Stock

At March 9, 2018, there were 147 holders of record of our voting common stock and five holders of record of our non-voting common stock.

(c) Dividends

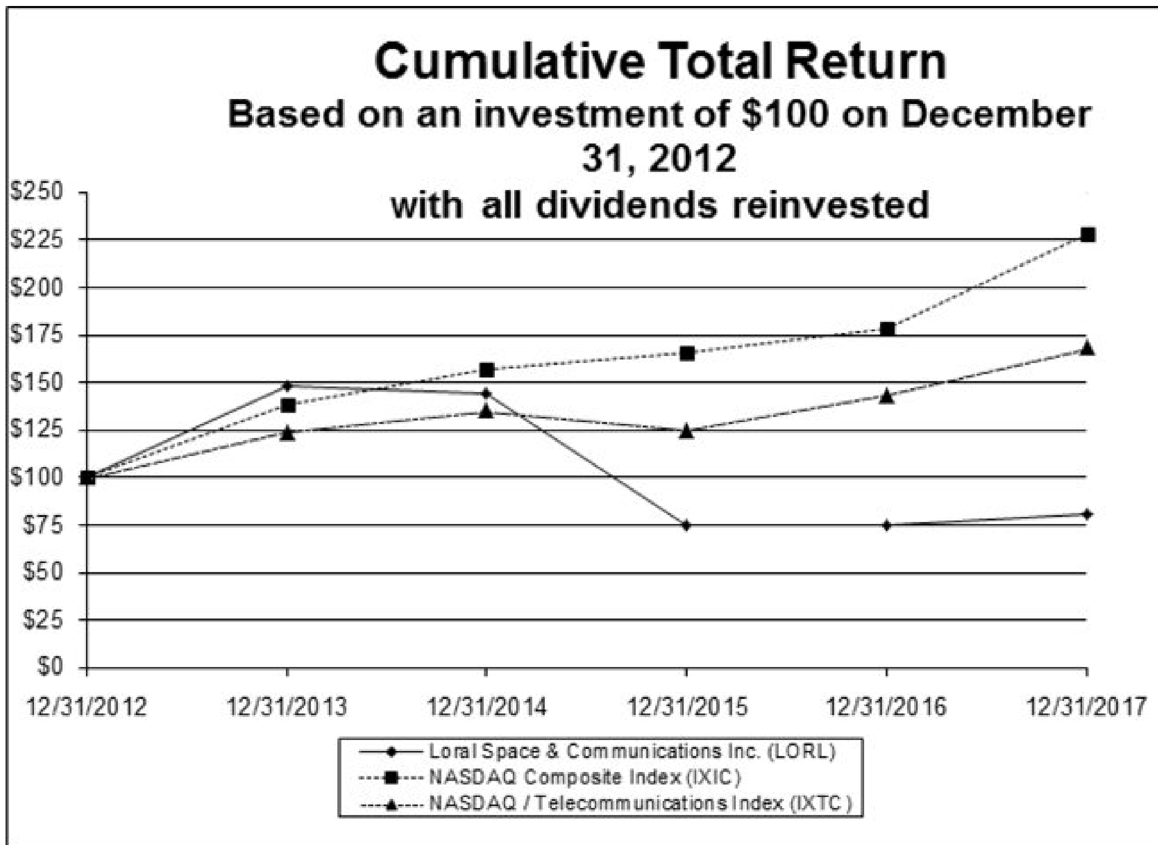
Loral's ability to pay dividends or distributions on its common stock will depend upon its earnings, financial condition and capital needs and other factors deemed pertinent by the Board of Directors. Loral has not paid any dividends on its common stock for the years ended December 31, 2017 and 2016. In the first quarter of 2017, we received a $242.7 million cash distribution from Telesat. We intend to use the proceeds of such distribution, net of reasonable reserves for working capital and other liabilities, to make a distribution to our stockholders. There can be no assurance as to the amount and timing of any such distribution, and such distribution may be impacted by the outcome of our discussions regarding, and the structure of, the strategic combination transaction with respect to our interest in Telesat that we are pursuing.

(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. Compensation information required by Item 11 will be presented in the Company's 2018 definitive proxy statement which is incorporated herein by reference or by an amendment to this Annual Report on Form 10-K.

(e) Comparison of Cumulative Total Returns

Set forth below is a graph comparing the cumulative performance of our voting common stock with the NASDAQ Composite Index and the NASDAQ Telecommunications Index from December 31, 2012 to December 31, 2017. The graph assumes that $100 was invested on December 31, 2012 in each of our voting common stock, the NASDAQ Composite Index and the NASDAQ Telecommunications Index and that all dividends were reinvested. The NASDAQ Telecommunications Index is a capitalization weighted index designed to measure the performance of all NASDAQ-traded stocks in the telecommunications sector, including satellite technology companies.



Item 6. Selected Financial Data

The following table sets forth our selected historical financial and operating data for each of the five years in the period ended December 31, 2017.

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

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

	Year Ended December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Statement of operations data:					
Loss from continuing operations before income taxes and equity in net income (loss) of affiliates	$ (8,770)	$ (8,001)	$ (10,188)	$ (8,030)	$ (15,530)
Income tax (provision) benefit [1]	(73,108)	(28,507)	45,476	8,105	(1,841)
(Loss) income from continuing operations before equity in net income (loss) of affiliates(2)	(81,878)	(36,508)	35,288	75	(17,371)
Equity in net income (loss) of affiliates [2]	216,347	84,078	(104,792)	(1,502)	38,827
Income (loss) from continuing operations	134,469	47,570	(69,504)	(1,427)	21,456
Loss from discontinued operations, net of tax [3]	(5)	(370)	(778)	(24,402)	(4,877)
Net income (loss)	134,464	47,200	(70,282)	(25,829)	16,579
Income (loss) per share:					
Basic income (loss) per share					
Continuing operations	$ 4.35	$ 1.54	$ (2.25)	$ (0.05)	$ 0.70
Discontinued operations	—	(0.01)	(0.03)	(0.79)	(0.16)
	$ 4.35	$ 1.53	$ (2.28)	$ (0.84)	$ 0.54
Diluted income (loss) per share					
Continuing operations	$ 4.30	$ 1.50	$ (2.25)	$ (0.05)	$ 0.67
Discontinued operations	—	(0.01)	(0.03)	(0.79)	(0.16)
	$ 4.30	$ 1.49	$ (2.28)	$ (0.84)	$ 0.51

	December 31,				
	2017	**2016**	**2015**	**2014**	**2013**
Balance sheet data:					
Cash and cash equivalents	$ 255,139	$ 37,458	$ 58,853	$ 51,433	$ 5,926
Total assets	374,711	264,231	214,618	304,626	327,740
Non-current liabilities	80,261	87,692	91,697	113,262	110,120
Total liabilities	84,113	93,820	106,128	128,986	119,830
Loral shareholders' equity	290,598	170,411	108,490	175,640	207,910

(1) The income tax (provision) benefit for each period included the impact of equity in net income (loss) of affiliates reflected below.

(2) Our principal affiliate is Telesat. Loral also has investments in XTAR and joint ventures providing Globalstar service, which are accounted for under the equity method and have no carrying value as of December 31, 2017 and 2016.

(3) Loss from discontinued operations resulted from the sale of our wholly-owned subsidiary, SSL, to MDA, in 2012 (see Notes 1 and 13 to the Loral consolidated financial statements). In 2014, the loss from discontinued operations primarily comprises an increase to our indemnification liability related to the sale of SSL pursuant to the ViaSat Suit Settlement Agreement and Allocation Agreement.

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

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 that occupy Canadian and other orbital locations.

Loral holds a 62.7% economic interest and a 32.7% voting interest in Telesat as of December 31, 2017. Our economic interest decreased from 62.8% to 62.7% in March 2016 when certain Telesat employees exercised share appreciation rights related to a total of 178,642 stock options granted under Telesat's share-based compensation plan and received 129,400 non-voting participating preferred shares.

At December 31, 2017, Telesat, with approximately $3.0 billion of backlog, provided satellite services to customers from its fleet of 15 in-orbit geostationary satellites. In addition, Telesat owns the Canadian Ka-band payload on the ViaSat-1 satellite and has two other geostationary satellites under construction. In January 2018, an additional satellite was launched into low earth orbit as part of Telesat's plan to deploy an advanced, global LEO constellation that will deliver low latency fiber-like broadband to commercial and government users worldwide. Telesat also manages the operations of additional satellites for third parties.

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

Telesat's 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. Telesat currently has two geostationary satellites, Telstar 18 VANTAGE and Telstar 19 VANTAGE, under construction.

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. However, while 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 2018, Telesat remains focused on increasing utilization of its existing satellites, the construction and launch of its new satellites, the development of its global LEO constellation and identifying and pursuing opportunities to invest in expansion satellite capacity, all while maintaining operating discipline.

On November 17, 2016, Telesat entered into amended senior secured credit facilities which provide for term loan borrowings of $2.43 billion which mature on November 17, 2023 and revolving credit borrowings of up to $200 million (or Canadian dollar equivalent) which mature on November 17, 2021. Telesat also issued, through a private placement, $500 million of 8.875% senior notes which mature on November 17, 2024.

On November 17, 2016, Telesat repaid all outstanding amounts under its former senior secured credit facilities and its 6.0% senior notes.

On February 1, 2017, Telesat amended the senior secured credit facilities to effectively reprice the then outstanding term loan borrowings of $2.424 billion.

Telesat's operating results are subject to fluctuations as a result of exchange rate variations. During 2017, approximately 52% of Telesat's revenues, 42% of its operating expenses, 100% of its interest expense and a 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, 2017, Telesat's U.S. dollar denominated debt totaled $2.9 billion. As of December 31, 2017, a five percent increase (decrease) in the Canadian dollar against the U.S. dollar would have increased (decreased) Telesat's net income by approximately $129 million. This analysis assumes all other variables, in particular interest rates, remain constant.

Sale of SSL

On November 2, 2012, Loral completed the Sale of SSL to MDA. Pursuant to the Purchase Agreement dated as of June 26, 2012, as amended on October 30, 2012 and March 28, 2013, by and among Loral, SSL, MDA and MDA Holdings, Loral agreed to indemnify MDA and its affiliates from certain damages in the ViaSat Suit brought in 2012 by ViaSat against Loral and SSL. On September 5, 2014, Loral, SSL and ViaSat entered into the Settlement Agreement pursuant to which the ViaSat Suit and an additional patent infringement and breach of contract lawsuit brought by ViaSat against SSL in September 2013 were settled. Loral was also released by MDA, MDA Holdings and SSL from indemnification claims relating to the ViaSat lawsuits under the Purchase Agreement. The terms of the Settlement Agreement provided, among other things, for payment by Loral and SSL to ViaSat on a joint and several basis of $100 million, $40 million of which was paid in September 2014 in connection with entering into the Settlement Agreement, with the remaining $60 million payable with interest in ten equal quarterly installments of $6.9 million from October 15, 2014 through January 15, 2017.

Following a mediation session held on December 1, 2014, Loral and MDA entered into the Allocation Agreement, pursuant to which Loral and MDA agreed that Loral was responsible for $45 million, and MDA and SSL were responsible for $55 million, of the $100 million litigation settlement with ViaSat. Culminating with the final installment payment of $2.8 million in January 2017, Loral paid a total of $46.1 million, including interest, as its share of the ViaSat settlement (see Note 13 to the financial statements).

General

Our principal asset is our majority ownership interest in Telesat. In an effort to maximize shareholder value, we have been exploring, and are in discussions with PSP regarding, potential strategic transactions to alter the status quo in our ownership of Telesat. Subject to market conditions and the cooperation of PSP, we continue to explore the combination of Loral and Telesat into one public company and/or the sale of Loral in connection with a sale of Telesat. Also, as described more fully below, we have exercised our right to require that Telesat initiate a public offering, and we may further pursue this right in the event a combination transaction or a sale of Telesat is not likely to be achievable in a timely manner or on satisfactory terms. There can be no assurance as to whether or when we will be able to conclude any strategic transaction or that any strategic initiatives or transaction involving Telesat or Loral may occur, or that any particular economic, tax, structural or other objectives or benefits with respect to any initiative or transaction involving Telesat or Loral's interest therein will be achieved.

In the first quarter of 2017, we received $242.7 million in cash from Telesat, representing our share of an aggregate approximately $400 million distribution from Telesat to its shareholders and stock option holders. We intend to use the proceeds of such distribution, net of reasonable reserves for working capital and other liabilities, to make a distribution to our stockholders. There can be no assurance as to the amount and timing of any such distribution, and such distribution may be impacted by the outcome of our discussions regarding, and the structure of, the strategic combination transaction that we are pursuing.

As mentioned above, we have the right under the Telesat Shareholders Agreement to require Telesat to conduct an initial public offering of its equity shares, and, in July 2015, we exercised this right. Specifically, we requested that Telesat issue not more than 25 million newly issued shares of Telesat voting common stock. We also requested the termination of the Shareholders Agreement and the elimination of certain provisions in Telesat's Articles of Incorporation, both of which we believe are important for a successful public offering. If those provisions are eliminated, an impediment to the conversion of our non-voting Telesat shares to voting shares would be eliminated. Termination or modification of the Shareholders Agreement and conversion of our non-voting shares to voting shares would enable us, after a Telesat IPO and subject to the receipt of any necessary regulatory approvals, to obtain majority voting control of Telesat. Telesat selected two co-managing underwriters and informed us that it will work to implement a Telesat IPO pending our agreement with PSP on governance matters following a Telesat IPO. To date, no such agreement has been reached. In the event a combination transaction that we are pursuing or a sale of Telesat as described above is not likely to be achievable in a timely manner or on satisfactory terms, we may further pursue our right to a Telesat IPO. There can be no assurance as to whether, when or on what terms a Telesat IPO, termination or modification of the Shareholders Agreement or any requested changes to Telesat's Articles of Incorporation may occur or that any particular economic, tax, structural or other objectives or benefits with respect to a Telesat IPO will be achieved. If a Telesat IPO is expected to proceed under unfavorable terms or at an unfavorable price, we may withdraw our demand for a Telesat IPO.

Depending upon the outcome of the strategic initiatives discussed above, we may assert certain claims against PSP for actions we believe violated our rights relating to the affairs of Telesat under the Telesat Shareholders Agreement and otherwise. In response to our claims, PSP has informed us that it believes that it may have claims against us, although we are not aware of the legal or factual basis for any such claims. We and PSP have agreed that, pending the outcome of our discussions relating to Telesat, it would be beneficial to delay the commencement of any action relating to either party's claims and have entered into an agreement (the "Tolling Agreement") which preserves the parties' rights to assert against one another legal claims relating to Telesat. We also included Telesat as a party to the Tolling Agreement because, as a technical matter of Canadian law and for purposes of potentially seeking equitable relief, Telesat may be a necessary party. There can be no assurance that if the Tolling Agreement lapses that we and PSP will not pursue legal claims against one another relating to Telesat. If we pursue claims against PSP, there can be no assurance that our claims will be successful or that the relief we seek will be granted. If PSP pursues claims against us, there can be no assurance that PSP will not prevail on its claims.

Loral may, from time to time, explore and evaluate other possible strategic transactions and alliances which may include joint ventures and strategic relationships as well as business combinations or the acquisition or disposition of assets. In order to pursue certain of these opportunities, additional funds are likely to be required. There can be no assurance that we will enter into additional strategic transactions or alliances, nor do we know if we will be able to obtain the necessary financing for transactions that require additional funds on favorable terms, if at all.

In connection with the acquisition of our ownership interest in Telesat in 2007, Loral has agreed that, subject to certain exceptions described in the Shareholders Agreement, for so long as Loral has an interest in Telesat, it will not compete in the business of leasing, selling or otherwise furnishing fixed satellite service, broadcast satellite service or audio and video broadcast direct to home service using transponder capacity in the C-band, Ku-band and Ka-band (including in each case extended band) frequencies and the business of providing end-to-end data solutions on networks comprised of earth terminals, space segment, and, where appropriate, networking hubs.

Consolidated Operating Results

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

2017 Compared with 2016 and 2016 Compared with 2015

The following compares our consolidated results for 2017, 2016 and 2015 as presented in our financial statements:

General and Administrative Expenses

	Year Ended December 31,		
	2017	2016	2015
	(In thousands)		
General and administrative expenses	$ 7,935	$ 6,726	$ 6,530

General and administrative expenses increased by $1.2 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016 primarily due to a $0.8 million increase in professional fees and a $0.3 million decrease in pension charges allocated to XTAR.

General and administrative expenses increased by $0.2 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015 primarily due to $0.8 million of income earned during the year ended December 31, 2015 under the ViaSat-1 revenue share arrangement with Telesat which expired in December 2015 (see Note 14 to the financial statements) and a $0.3 million increase in professional fees, partially offset by pension charges to XTAR of $0.4 million for the year ended December 31, 2016, a $0.3 million reduction in accrued expenses and a $0.2 million reduction in consulting charges.

Interest and Investment Income

	Year Ended December 31,		
	2017	2016	2015
	(In thousands)		
Interest and investment income	$ 2,483	$ 194	$ 138

Interest and investment income for 2017, 2016 and 2015 consists primarily of interest on our cash balance. The increase from 2016 to 2017 was the result of interest income earned on the cash distribution of $242.7 million received from Telesat in the first quarter of 2017.

Other Expense

	Year Ended December 31,		
	2017	2016	2015
	(In thousands)		
Other expense	$ 3,291	$ 1,449	$ 3,779

Other expense for the year ended December 31, 2017 was primarily related to strategic initiatives and settlement and litigation expenses resulting from certain arbitration and legal proceedings with our former Russian joint venture partner. Other expense for the years ended December 31, 2016 and 2015 was primarily comprised of expenses related to the evaluation of strategic initiatives. See Overview – *General* .

Income Tax (Provision) Benefit

	Year Ended December 31,		
	2017	2016	2015
	(In thousands)		
Income tax (provision) benefit	$ (73,108)	$ (28,507)	$ 45,476

For 2017, we recorded a current tax benefit of $7.1 million and a deferred tax provision of $80.2 million, resulting in a total tax provision of $73.1 million. For 2016, we recorded a current tax benefit of $1.0 million and a deferred tax provision of $29.5 million, resulting in a total tax provision of $28.5 million. For 2015, we recorded a current tax benefit of $5.8 million and a deferred tax benefit of $39.7 million, resulting in a total tax benefit of $45.5 million.

The deferred tax (provision) benefit for each period included the impact of equity in net income (loss) of affiliates in our consolidated statement of operations.

The Tax Cuts and Jobs Act made broad and complex changes to the U.S tax code, such as the imposition of a one-time transition tax in 2017 on certain unrepatriated earnings of controlled foreign corporations, including Telesat, and numerous changes first effective in 2018 including, but not limited to, (1) reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent; (2) eliminating U.S federal income taxes on dividends from certain foreign investments, such as Telesat; (3) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations, including Telesat; (4) limiting the use of FTCs to reduce U.S. federal tax liability; (5) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax, a new minimum tax; (7) creating a new limit on deductible interest expense; and (8) changing the rules related to the use of NOL carryforwards created in tax years beginning after December 31, 2017. We recognized the income tax effects of the Tax Cuts and Jobs Act in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 118, *Income Tax Accounting Implication of the Tax Cuts and Job Act* (SAB 118), in our consolidated financial statements for the year ended December 31, 2017. SAB 118 provides guidance for the application of income tax accounting standards related to the Tax Cuts and Jobs Act. Based upon our analysis, as of December 31, 2017, we reduced deferred tax assets by $33.2 million related to the tax rate reduction with a corresponding increase to our deferred income tax provision and increased non-current income taxes receivable by $1.6 million related to refundable AMT credits with a corresponding reduction to deferred tax assets. The preliminary effect recorded may change in the future due to revisions in the interpretation of the Tax Cuts and Jobs Act or legislative action to clarify interpretation of the Tax Cuts and Jobs Act. The Company expects to finalize the effect of the Tax Cuts and Jobs Act with the filing of its 2017 tax return and record in the fourth quarter of 2018 any difference between the final effect and the provisional effect recorded.

The current tax provision for the year ended December 31, 2017 included our anticipated income tax liability related to the cash distribution received from Telesat after use of AMT credits and NOL carryforwards and FTCs from Telesat. Upon receiving the cash distribution from Telesat in the first quarter of 2017, we recorded a current tax liability of $53.0 million. During 2017, we made tax payments of $12.5 million, primarily with respect to the distribution, and commenced a tax study to determine the allowable amount of FTCs that could be utilized to minimize our cash tax liability. After completing our analysis in the fourth quarter of 2017, we reduced our current tax liability to approximately $2.0 million and established a deferred tax asset of $104.9 million for the carryforward of unused FTCs. Since, at the current time, sufficient positive evidence does not exist to support full recovery of the FTC carryforward, we recorded a full valuation allowance against this deferred tax asset during the year ended December 31, 2017. As of December 31, 2017, we had no income taxes payable and a current income tax receivable of $11.1 million, primarily related to recovery of tax payments previously made on the cash distribution.

For each period presented, the statute of limitations for the assessment of additional tax expired with regard to several of our federal and state uncertain tax positions ("UTPs") and certain other UTPs were settled. As a result, the reduction to our liability for UTPs provided a current tax benefit including the reversal of previously recognized interest and penalties, partially offset by an additional provision for the potential payment of interest on our remaining UTPs.

Subsequent to the Sale, to the extent that profitability from operations is not sufficient to realize the benefit from our remaining net deferred tax assets, we would generate sufficient taxable income from the appreciated value of our Telesat investment 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 (Loss) of Affiliates

	Year Ended December 31,		
	2017	2016	2015
	(In thousands)		
Telesat	$ 216,347	$ 84,078	$ (74,329)
XTAR	—	—	(30,463)
	$ 216,347	$ 84,078	$ (104,792)

The following is a reconciliation of the changes in our investment in Telesat for the years ended December 31, 2017 and 2016:

	Year Ended December 31,			
	2017		2016	
	(In thousands)			
Opening Balance, January 1,		$ 107,950		$ —
Less: Cash distribution received		(242,735)		—
Components of equity in net income of Telesat:				
Equity in net income of Telesat	$ 212,001		$ 140,604	
Eliminations of affiliate transactions and related amortization	4,346		1,398	
Recognition of equity loss suspended as of prior year-end	—	216,347	(57,924)	84,078
Components of equity in other comprehensive income of Telesat:				
Equity in other comprehensive (loss) income of Telesat	(28,132)		3,045	
Recognition of equity in other comprehensive income suspended as of prior year-end	—	(28,132)	20,827	23,872
Ending balance, December 31,		$ 53,430		$ 107,950

As of December 31, 2016, we held a 62.7% economic interest and a 32.7% 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.

As of December 31, 2015, we had an unrecorded equity loss in Telesat of $57.9 million, the amount by which our share of Telesat's losses together with cash distributions we received from Telesat exceeded our recorded cumulative equity in net income of Telesat and our initial investment in Telesat. In following the equity method of accounting, our investment balance in Telesat was reduced to zero as of December 31, 2015. In addition, our equity in Telesat's other comprehensive income that we could not record as of December 31, 2015 was $20.8 million. We recognized this $57.9 million equity loss and our $20.8 million share in the equity of Telesat's other comprehensive income in 2016.

Summary financial information for Telesat in accordance with U.S. GAAP in Canadian dollars and U.S. dollars for the years ended December 31, 2017, 2016 and 2015 and as of December 31, 2017 and 2016 follows (in thousands):

	Year Ended December 31,			Year Ended December 31,		
	2017	**2016**	**2015**	**2017**	**2016**	**2015**
	(In Canadian dollars)			**(In U.S. dollars)**		
Statement of Operations Data:						
Revenues	927,771	931,101	954,157	712,390	703,131	751,684
Operating expenses	(196,486)	(184,254)	(178,607)	(150,872)	(139,141)	(140,706)
Depreciation, amortization and stock-based compensation	(252,917)	(259,258)	(242,430)	(194,203)	(195,781)	(190,985)
Insurance proceeds	6,171	—	—	4,739	—	—
Loss on disposition of long lived assets	(269)	(2,565)	(30)	(207)	(1,937)	(24)
Operating income	484,270	485,024	533,090	371,847	366,272	419,969
Interest expense	(197,340)	(192,393)	(176,165)	(151,528)	(145,288)	(138,783)
Loss on refinancing	—	(16,216)	—	—	(12,246)	—
Foreign exchange gain (loss)	225,868	90,999	(541,991)	173,433	68,719	(426,980)
(Loss) gain on financial instruments	(4,579)	1,290	9,914	(3,516)	974	7,810
Other income	3,004	6,078	4,661	2,307	4,590	3,672
Income tax provision	(70,879)	(77,827)	(94,499)	(54,424)	(58,772)	(74,447)
Net income (loss)	440,344	296,955	(264,990)	338,119	224,249	(208,759)
Average exchange rate for translating Canadian dollars to U.S. dollars (1 U.S. dollar equals)	1.3036	1.3253	1.2714			

	As of December 31,		As of December 31,	
	2017	**2016**	**2017**	**2016**
	(In Canadian dollars)		**(In U.S. dollars)**	
Balance Sheet Data:				
Current assets	559,540	911,785	445,104	678,361
Total assets	5,132,075	5,637,164	4,082,472	4,194,006
Current liabilities	158,520	207,226	126,100	154,173
Long-term debt, including current portion	3,557,481	3,868,252	2,829,911	2,877,950
Total liabilities	4,448,443	4,834,804	3,538,656	3,597,056
Shareholders' equity	683,632	802,360	543,816	596,950
Period end exchange rate for translating Canadian dollars to U.S. dollars (1 U.S. dollar equals)	1.2571	1.3441		

Telesat's revenue increased by $9 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016 due primarily to an increase in short-term services provided to other satellite operators, higher enterprise services revenue from mobility sector customers and the favorable impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenue, partially offset by the end of service or service reductions for certain North American broadcast services customers and certain enterprise services customers and lower equipment sales. Telesat's revenue excluding foreign exchange impact would have increased by $4 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Telesat's revenue decreased by $49 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015 due primarily to the unfavorable impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated revenue, lower enterprise revenue from customers in the energy and resource sector, the reduction in broadcast services for an international customer, lower equipment sales, a reduction in revenue from Canadian spectrum license fees and lower consulting activities, partially offset by higher revenue from certain government services. Telesat's revenue excluding foreign exchange impact would have decreased by $34 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Telesat's operating expenses increased by $11 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016 primarily due to the special payment made to stock option holders in the first quarter of 2017 in connection with the cash distribution made to Telesat's shareholders, higher professional fees, higher performance-based compensation and the unfavorable impact of the change in in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated expenses, partially offset by lower expense on development of LEO satellites, lower share based compensation and lower cost of sales from lower third-party satellite capacity expenses. Telesat's operating expenses excluding foreign exchange impact increased by $10 million for the year ended December 31, 2017 as compared to the year ended December 31, 2016.

Telesat's operating expenses decreased by $2 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015 primarily due to lower third party satellite capacity expenses, lower in-orbit insurance expenses, lower Canadian spectrum license fees, lower equipment sales and the favorable impact of the change in the U.S. dollar/Canadian dollar exchange rate on Canadian dollar denominated expenses, partially offset by an $11.9 million expense related to development of LEO satellites in 2016 and increased performance-based compensation and certain employee benefits expenses. Telesat's operating expenses excluding foreign exchange impact would have increased by $2 million for the year ended December 31, 2016 as compared to the year ended December 31, 2015.

Telesat's loss on refinancing of $12.2 million for the year ended December 31, 2016 primarily represents the write-off of deferred financing costs, interest rate floors, prepayment option and premiums on Telesat's former senior secured credit facilities and 6.0% senior notes as a result of the refinancing in November 2016.

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, 2017, 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, 2017, Telesat's U.S. dollar denominated debt totaled $2.9 billion. As of December 31, 2017, a five percent increase (decrease) in the Canadian dollar against the U.S. dollar would have increased (decreased) Telesat's net income by approximately $129 million. This analysis assumes all other variables, in particular interest rates, remain constant.

The equity losses in XTAR, our 56% owned joint venture, during 2015 represent our share of XTAR losses incurred in connection with its operations and other-than-temporary impairment of our investment in XTAR due to a decline in its fair value.

As of December 31, 2017 and 2016, 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 as of December 31, 2015 and we have no commitment to provide further financial support. For the year ended December 31, 2015, we recorded other-than-temporary, non-cash, impairment charges of $21.2 million related to our investment in XTAR primarily as a result of an increase in the discount rate used to value our investment in XTAR and reassessment of our revenue expectations for future years dictated by a decline in XTAR's revenues by approximately 11% from 2014 to 2015. The value of our investment in XTAR was determined based on the income approach by discounting projected annual cash flows to their present value using a rate of return appropriate for the risk of achieving the projected cash flows.

Loss from Discontinued Operations, net of tax

	Year Ended December 31,		
	2017	2016	2015
	(In thousands)		
Loss from discontinued operations, net of tax	$ (5)	$ (370)	$ (778)

Adjustments to amounts previously reported in discontinued operations and interest expense that is directly related to the Sale are classified as discontinued operations for the years ended December 31, 2017, 2016 and 2015. Loss from discontinued operations in 2016 and 2015 primarily comprises interest expense of $0.6 million and $1.4 million, respectively, on the ViaSat Settlement Agreement and the Allocation Agreement, net of an income tax benefit of $0.2 million and $0.5 million, respectively.

Backlog

Telesat's backlog as of December 31, 2017 and 2016 was $3.0 billion and $3.2 billion, respectively. It is expected that approximately 18.8% of satellite services backlog will be recognized as revenue by Telesat during 2018. As of December 31, 2017, Telesat had received approximately $310 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.

Evaluation of Investments in Affiliates for Impairment

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. We recorded impairment charges of $21.2 million related to our investment in XTAR for the year ended December 31, 2015.

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 at December 31, 2017:

	Level 1	Level 2	Level 3
		(In thousands)	
Assets			
Cash equivalents: Money market funds	$ 251,742	$ —	$ —
Other current assets:			
Indemnification - Sale of SSL	$ —	$ —	$ 2,410
Liabilities			
Long term liabilities:			
Indemnification - Globalstar do Brasil S.A.	$ —	$ —	$ 293

The carrying amount of cash equivalents approximates fair value 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, 2017.

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

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

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

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.

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. Effective January 1, 2015, we discontinued retiree medical coverage for Medicare eligible retirees and their dependents. Pension and other employee postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions, including the discount rate and expected long-term rate of return on plan assets. Material changes in these pension and other employee postretirement benefit costs may occur in the future due to changes in these assumptions, as well as our actual experience.

The discount rate is subject to change each year, based on a hypothetical yield curve developed from a portfolio of high quality, corporate, non-callable bonds with maturities that match our projected benefit payment stream. The resulting discount rate reflects the matching of the plan liability cash flows to the yield curve. The discount rate determined on this basis for the qualified pension plan and other employee postretirement benefit costs was 3.5% and 4.0% as of December 31, 2017 and 2016, 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 rate of return on plan assets was 6.75% for 2017, 7.00% for 2016 and 7.25% for 2015. For 2018, we have updated our expected long-term rate of return to 7.25%.

Pension and other employee postretirement benefit costs included in income from continuing operations in 2018 are expected to be approximately $1.1 million, compared with $1.6 million in 2017. Lowering the discount rate and the expected long-term rate of return each by 0.5% would have increased benefit costs by approximately $0.2 million and $0.2 million, respectively, in 2017.

The benefit obligations for pensions and other employee postretirement benefits exceeded the fair value of plan assets by $18.9 million at December 31, 2017. 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 62.7% economic interest in Telesat. We also have a 56% economic interest in XTAR. The operations of Telesat and XTAR are not consolidated but are presented using the equity method of accounting. As of December 31, 2017, the value of our investment in XTAR was zero as a result of the decline in its fair value that was determined to be other-than-temporary.

Loral has no debt. Telesat has third party debt with financial institutions. XTAR has no external debt other than to its LLC member, Hisdesat, for restructured lease payments on the Spainsat satellite. XTAR is required to make payments of $5 million per year to pay down the outstanding restructured lease balance. As of December 31, 2017 and 2016, XTAR had deferred payment of liabilities to Hisdesat of $32.7 million and $28.8 million, respectively, for lease payments, including the restructured lease payments. The Company has not provided a guarantee for the debt of Telesat or XTAR.

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

Cash and Available Credit

At December 31, 2017, Loral had $255.1 million of cash and cash equivalents and no debt. The Company's cash and cash equivalents as of December 31, 2017 increased by $217.7 million from December 31, 2016 due primarily to a cash distribution by Telesat of $242.7 million and interest income received of $2.2 million, partially offset by net payments of $12.5 million for income taxes primarily related to the cash distribution, corporate expenses of $6.5 million, adjusted for changes in working capital and net of consulting fees from Telesat, a $2.8 million payment to ViaSat pursuant to the Settlement Agreement and Allocation Agreement, litigation expenditures of $1.1 million, postretirement benefits funding of $2.3 million and payments of $2.0 million related to strategic initiatives. A discussion of cash changes by activity is set forth in the sections, "Net Cash Used in Operating Activities," "Net Cash Provided by (Used in) Investing Activities," and "Net Cash (Used in) Provided by Financing Activities."

The Company did not have a credit facility as of December 31, 2017 and 2016.

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 during 2018. We expect that our major cash outlays during 2018 will include income tax payments, payments under employee benefit programs and general corporate expenses net of consulting fees from Telesat.

In the first quarter of 2017, we received $242.7 million in cash from Telesat, representing our share of an aggregate approximately $400 million distribution from Telesat to its shareholders and stock option holders. We intend to use the proceeds of such distribution, net of reasonable reserves for working capital and other liabilities, to make a distribution to our stockholders. There can be no assurance as to the amount and timing of any such distribution, and such distribution may be impacted by the outcome of our discussions regarding, and the structure of, the strategic combination transaction with respect to our interest in Telesat that we are pursuing.

Risks to Cash Flow

In the fourth quarter of 2012, we sold our former subsidiary, SSL, to MDA pursuant to the Purchase Agreement. 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, 2017, Telesat had CAD 479 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, 2017, 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 capital requirements and required interest and principal payments on debt.

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

Debt

Telesat's debt as of December 31, 2017 and 2016 was as follows:

	Maturity	Currency	December 31, 2017	December 31, 2016
			(in thousands)	
Senior secured credit facilities:				
Revolving credit facility	November 2021	USD or CAD equivalent	—	—
Term Loan B - U.S. facility	November 2023	USD	$ 2,399,686	$ 2,423,925
8.875% Senior notes	November 2024	USD	500,000	500,000
			2,899,686	2,923,925
Less: Deferred financing costs, interest rate floors and prepayment options			(80,994)	(58,336)
Total debt under international financial reporting standards			2,818,692	2,865,589
U.S. GAAP adjustments			11,219	12,361
Total debt under U.S. GAAP			2,829,911	2,877,950
Current portion			13,551	18,182
Long term portion			$ 2,816,360	$ 2,859,768

On November 17, 2016, Telesat entered into amended senior secured credit facilities which provide for term loan borrowings of $2.43 billion which mature on November 17, 2023 and revolving credit borrowings of up to $200 million (or Canadian dollar equivalent) which mature on November 17, 2021. Telesat also issued, through a private placement, $500 million of 8.875% senior notes which mature on November 17, 2024.

On November 17, 2016, Telesat repaid all outstanding amounts under its former senior secured credit facilities and its 6.0% senior notes.

On February 1, 2017, Telesat amended the senior secured credit facilities to effectively reprice the then outstanding term loan borrowings of $2.424 billion.

Senior Secured Credit Facilities

The obligations under Telesat's new 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 on November 17, 2021. 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 1.5% to 2.00% 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 2.50% to 3.00% 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 of 40 basis points. As at December 31, 2017, 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 $2.430 billion loan maturing on November 17, 2023. As of December 31, 2017, $2.4 billion of this facility was outstanding, which represents the full amount available following mandatory repayments. The initial terms had the outstanding 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, but not less than 0.75%, plus an initial applicable margin of 3.00%; or (ii) Alternative Base Rate as determined in accordance with the terms of the senior secured credit facilities plus an applicable margin of 2.00%. On February 1, 2017, Telesat amended the Senior Secured Credit Facilities to reduce the applicable margin to 3.00% from 3.75% on the then outstanding $2.424 billion. As at February 1, 2017, the mandatory principal repayments on the U.S. TLB Facility are one quarter of 1.00% of the value of the loan at the time of the amendment, which must be paid on the last day of each quarter.

Senior Notes

Telesat's senior notes of $500 million bear interest at an annual rate of 8.875% and are due November 17, 2024. 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 Telesat's satellite insurance, effect mergers with another entity, and redeem Telesat's senior notes, without penalty, before November 15, 2022, in each case subject to exceptions provided in the senior notes indenture.

As of December 31, 2017, Telesat was in compliance with the financial covenants of its senior secured credit facilities and the indenture governing the senior notes.

Debt Service Cost

Telesat's interest expense for the year ending December 31, 2017 was approximately CAD 197 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, 2017, Telesat had four outstanding interest rate swaps which hedge the interest rate risk on $1.8 billion of U.S. denominated Term Loan B borrowings. As of December 31, 2017, the fair value of the interest rate swaps was an asset of $13.8 million. These contracts, which mature between September 2019 and September 2022, are at fixed interest rates ranging from 1.72% to 2.04%, excluding applicable margin.

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, 2017 was CAD 6.3 million.

Capital Expenditures

Telesat has entered into contracts for the construction and launch of satellites and other capital expenditures. The outstanding commitments associated with these contracts were approximately CAD 52 million as of December 31, 2017. 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 Facility.

Contractual Obligations and Other Commercial Commitments

The following table aggregates Loral's contractual obligations and other commercial commitments as of December 31, 2017:

	Payments Due by Period [2]				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
	(in thousands)				
Lease payments [1]	$ 955	$ 637	$ 318	—	—

(1) Represents future minimum payments under operating leases.

(2) Does not include our liabilities for UTPs of $61.2 million. Because the timing of future cash outflows associated with our liabilities for UTPs is highly uncertain, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities (see Note 8 to the financial statements). Does not include obligations for pension and other postretirement benefits, for which we expect to make employer contributions of approximately $2.4 million in 2018. We also expect to make employer contributions to our plans in future years.

Net Cash Used in Operating Activities

The following summarizes Loral's cash used in operating activities for the three years in the period ended December 31, 2017:

Net cash used in operations was $24.7 million for the year ended December 31, 2017.

Net cash used in operating activities by continuing operations was $21.9 million for the year ended December 31, 2017, consisting primarily of a $0.6 million cash use attributable to income from continuing operations adjusted for non-cash operating items, an increase in income taxes receivable of $12.1 million, a $7.5 million decrease in long-term liabilities, primarily liabilities for UTP s, and a $1.8 million decrease in pension and other postretirement liabilities.

Net cash used by operating activities from discontinued operations was $2.8 million for the year ended December 31, 2017 representing the final payment to ViaSat pursuant to the Settlement Agreement and the Allocation Agreement.

Net cash used in operations was $21.2 million for the year ended December 31, 2016.

Net cash used in operating activities by continuing operations was $9.6 million for the year ended December 31, 2016, consisting primarily of a $6.0 million cash use attributable to income from continuing operations adjusted for non-cash operating items, a $1.6 million decrease in pension and other postretirement liabilities, a $1.6 million decrease in long-term liabilities and a $0.4 million decrease in accrued expenses.

Net cash used by operating activities from discontinued operations was $11.7 million for the year ended December 31, 2016 representing $11.2 million of payments to ViaSat pursuant to the Settlement Agreement and the Allocation Agreement and a $0.5 million indemnification payment for pre-closing taxes pursuant to the Purchase Agreement.

Net cash used in operations was $28.8 million for the year ended December 31, 2015.

Net cash used in operating activities by continuing operations was $16.0 million for the year ended December 31, 2015, consisting primarily of a $7.6 million decrease in our liability for UTPs, a $3.5 million decrease in pension and other postretirement liabilities, a $3.1 million cash use attributable to loss from continuing operations adjusted for non-cash operating items, a $1.0 million decrease in accrued expenses and other current liabilities and a $0.8 million decrease in income taxes payable.

Net cash used by operating activities from discontinued operations was $12.8 million for the year ended December 31, 2015 representing $11.2 million of payments to ViaSat pursuant to the Settlement Agreement and the Allocation Agreement and a $1.5 million pre-closing tax indemnification payment pursuant to the Purchase Agreement.

Net Cash Provided by (Used in) Investing Activities

The following summarizes Loral's cash provided by (used in) investing activities for the years ended December 31, 2017 and 2015:

Net cash provided by investing activities by continuing operations for the year ended December 31, 2017 was $242.7 million primarily representing the cash distribution received from Telesat.

Net cash provided by investing activities from discontinued operations for the year ended December 31, 2015 was $33.7 million consisting of the receipt of the final principal payment under a three-year promissory note received in connection with the Sale.

Net Cash (Used in) Provided by Financing Activities

Loral's net cash (used in) provided by financing activities was $(0.1) million and $2.6 million for the years ended December 31, 2016 and 2015, respectively, consisting of adjustments to excess tax benefits associated with stock-based compensation.

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 2017 and 2016 included contributions of approximately $2.3 million and $2.2 million, respectively, to the qualified pension plan. Operating cash flows for 2015 included contributions of approximately $2.7 million to the qualified pension plan and payments of approximately $1.0 million to participants related to the reduction of retiree medical 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 our consolidated financial statements.

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

Loral

Foreign Currency

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

Interest

During 2017, our excess cash was invested in money market securities; we did not hold any other marketable securities.

Derivatives

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

Loral had no derivative instruments as of December 31, 2017.

Telesat

Foreign Exchange Risk

Telesat's operating results are subject to fluctuations as a result of exchange rate variations to the extent that transactions are made in currencies other than Canadian dollars. The most significant impact of variations in the exchange rate is on Telesat's U.S. dollar denominated debt financing, cash and short-term investments, trade and other receivables and trade and other payables. As of December 31, 2017, Telesat's U.S. dollar denominated debt totaled $2.9 billion. Telesat is also exposed to foreign currency risk on anticipated transactions, such as the costs of satellite construction, launch and acquisition.

For the year ended December 31, 2017, approximately 52% of Telesat's revenues, 42% of its operating expenses, 100% of its interest expense and the majority of its capital expenditures were denominated in U.S. dollars. As a result, the volatility of U.S. currency may expose Telesat to foreign exchange risks.

As of December 31, 2017, a five percent increase (decrease) in the value of the Canadian dollar against the U.S. dollar would have increased (decreased) Telesat's net income by approximately $129 million. This analysis assumes all other variables, in particular interest rates, remain constant.

Interest Rate Risk

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

Derivative Financial Instruments

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

Tel esat uses the following instruments, as required :

- forward currency contracts to hedge foreign exchange risk on anticipated cash flows, mainly related to the construction of satellites and interest payments;
- currency derivative instruments to hedge the foreign exchange risk on its U.S. dollar denominated indebtedness; and
- interest rate swaps to hedge the interest rate risk related to its indebtedness, a portion of which includes a variable interest rate.

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, 2017, 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, 2017.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Deloitte & 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

In our quarterly report for the third quarter of 2017, we identified and disclosed a material weakness related to the absence of satisfactory internal controls requiring timely reporting of any allegations of fraud involving management, regardless of the source of allegation or its level of credibility, to the Company's Audit Committee and performance of appropriate due diligence on anyone acting on behalf of the Company. As a result, management did not timely communicate to the Company's Audit Committee the following allegation of fraud: in July 2017, a Russian attorney, who the Company believes participated in the fraud in Russia that diverted funds due to be paid to the Company in connection with its exit from its joint venture to provide Globalstar service in Russia to a shell company formed by that attorney (see Note 13 to the consolidated financial statements), alleged that an officer of the Company was also involved in the fraud in Russia. The attorney was affiliated with a Russian law firm retained by the Company's U.S. counsel to pursue the Company's exit from the joint venture and was not known to the Company at the time of the fraud in Russia. Prior to communicating the allegation to the Audit Committee, management, notwithstanding its view regarding the lack of credibility of the unsubstantiated allegation, retained outside counsel to examine the allegation; following such examination, outside counsel concluded that there was no evidence implicating Loral personnel. Subsequent to receiving the report from outside counsel retained by management, the Audit Committee retained its own independent counsel to perform an investigation, and the Audit Committee's independent counsel also has determined, based on its investigation procedures, that there was no evidence implicating Loral personnel.

In the fourth quarter of 2017, we adopted and implemented remedial steps designed to address the material weakness and to ensure the fair presentation of our consolidated financial statements. These remedial steps included: 1) employee refresher training on the identification of fraud risks and fraud-related matters, with specific emphasis on the identification and reporting of alleged, suspected or actual fraud; 2) revision of our code of conduct and related controls to require timely reporting of any alleged or suspected fraud involving management regardless of the source of the allegation or its level of credibility; 3) acceleration of employee recertification of our code of conduct; 4) enhancement of the process for preparation of management certifications required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 and management representations provided to the Company's auditors; and 5) enhancement of our internal controls to add a requirement to perform appropriate due diligence on anyone acting on behalf of the Company.

We have successfully completed the testing necessary to conclude that the previously identified material weakness has been remediated as of December 31, 2017.

Except as noted above, there has been no change in the Company's internal control over financial reporting as of December 31, 2017, 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.

R EPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders 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, 2017, 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, 2017, 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, 2017, of the Company and our report dated March 15, 2018, 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 15, 2018

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

None.

PART III

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

Executive Officers of the Registrant

The following table sets forth information concerning the executive officers of Loral as of March 9, 2018.

Name	Age	Position
Avi Katz	59	President, General Counsel and Secretary since December 2012. Senior Vice President, General Counsel and Secretary from January 2008 to December 2012.
John Capogrossi	64	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	54	Vice President and Controller since January 2016. Deputy Controller from February 2013 to January 2016. Assistant Controller from July 2008 to February 2013.

The remaining information required under Item 10 will be presented in the Company’s 2018 definitive proxy statement which is incorporated herein by reference or by amendment to this Annual Report on Form 10-K.

Item 11. ***Executive Compensation***

Information required under Item 11 will be presented in the Company’s 2018 definitive proxy statement which is incorporated herein by reference or by amendment to this Annual Report on Form 10-K.

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

Information required under Item 12 will be presented in the Company’s 2018 definitive proxy statement which is incorporated herein by reference or by amendment to this Annual Report on Form 10-K.

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

Information required under Item 13 will be presented in the Company’s 2018 definitive proxy statement which is incorporated herein by reference or by amendment to this Annual Report on Form 10-K.

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

Information required under Item 14 will be presented in the Company’s 2018 definitive proxy statement which is incorporated herein by reference or by amendment to this Annual Report on Form 10-K.

PART IV

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

(a) 1. Financial Statements

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INDEX TO EXHIBITS

Exhibit Number	Description
3.1	Restated Certificate of Incorporation of Loral Space & Communications Inc. dated May 19, 2009(6)
3.2	Amended and Restated Bylaws of Loral Space & Communications Inc. dated December 23, 2008(4)
3.3	Amendment No. 1 to Bylaws of Loral Space & Communications dated January 12, 2010(8)
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)
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	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)
10.9	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)
10.10	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)
10.11	General Release dated December 14, 2012 between Loral Space & Communications Inc. and Michael B. Targoff(16) ‡
10.12	Consulting Agreement dated December 14, 2012 between Loral Space & Communications Inc. and Michael B. Targoff(16) ‡
10.13	General Release and Separation Agreement dated December 14, 2012 between Loral Space & Communications Inc. and Richard P. Mastoloni(16) ‡
10.14	Consulting Agreement dated December 14, 2012 between Loral Space & Communications Inc. and Richard P. Mastoloni(16) ‡

Exhibit Number	Description
10.15	General Release and Separation Agreement dated March 15, 2013 between Loral Space & Communications Inc. and Harvey B. Rein(18) ‡
10.16	Consulting Agreement dated March 15, 2013 between Loral Space & Communications Inc. and Harvey B. Rein(18) ‡
10.17	Form of Officers' and Directors' Indemnification Agreement between Loral Space & Communications Inc. and Loral Executives(1) ‡
10.18	Loral Space Management Incentive Bonus Program (Adopted as of December 17, 2008)(4) ‡
10.19	Loral Space & Communications Inc. 2005 Stock Incentive Plan (Amended and Restated as of April 3, 2009)(5) ‡
10.20	Form of Director 2009 Restricted Stock Unit Agreement(9) ‡
10.21	Form of Director 2010 Restricted Stock Unit Agreement(10) ‡
10.22	Form of Director 2011 Restricted Stock Unit Agreement(13) ‡
10.23	Form of Director 2012 Restricted Stock Unit Agreement(17) ‡
10.24	Loral Space & Communications Inc. Severance Policy for Corporate Officers (Amended and restated as of August 4, 2011)(12) ‡
10.25	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) ‡
10.26	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 Michael C. Schwartz(11) ‡
10.27	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) ‡
10.28	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 Daniel Goldberg(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(24) ‡
10.30	Grant Agreement, dated as of August 25, 2017, by and among Telesat Canada, Loral Space & Communications Inc., the Public Sector Pension Investment Board, 4440480 Canada Inc. and Michael G. Cayouette †
10.31	Settlement Agreement, dated September 5, 2014, by and among ViaSat, Inc., Space Systems/Loral, LLC (f/k/a Space Systems/Loral, Inc.), Loral Space & Communications Inc., and (with respect to Section 4.2) MacDonald, Dettwiler and Associates Ltd.(21)
10.32	Release Agreement, dated September 5, 2014, by and among Loral Space & Communications Inc., Space Systems/Loral, LLC, MacDonald, Dettwiler and Associates Ltd. and MDA Communications Holdings, Inc.(21)
10.33	MDA/Loral Dispute Resolution, dated December 1, 2014, by and between Loral Space & Communications Inc. and MacDonald, Dettwiler and Associates Ltd.(22)
14.1	Code of Conduct, Revised as of December 8, 2017†
21.1	List of Subsidiaries of the Registrant†
23.1	Consent of Deloitte & Touche LLP†

Exhibit Number	Description
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(29)
99.2	By-Law No. 1 of Telesat Canada, dated as of January 1, 2017(29)
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(25)
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(26)
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(27)
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(28)
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(28)
99.8	Indenture, dated November 17, 2016, with respect to Telesat Canada's 8.875% Senior Notes due 2024, among Telesat Holdings Inc., Telesat Canada, Telesat LLC, as co-issuer, the guarantors party thereto, and The Bank of New York Mellon, as Trustee(27)
99.9	First Supplemental Indenture, dated as of December 29, 2016, with respect to Telesat Canada's 8.875% Senior Notes due 2024, among Telesat Canada, Telesat LLC, as co-issuer, the guarantors party thereto and The Bank of New York Mellon, as Trustee(29)
101	Interactive Data Files† (101.INS) XBRL Instance Document (101.SCH) XBRL Taxonomy Extension Schema Document (101.CAL) XBRL Taxonomy Extension Calculation Linkbase Document (101.DEF) XBRL Taxonomy Extension Definition Linkbase Document (101.LAB) XBRL Taxonomy Extension Label Linkbase Document (101.PRE) XBRL Taxonomy Extension Presentation Linkbase Document

(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 Current 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 Current 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 September 8, 2014.

(22) Incorporated by reference from the Company’s Current Report on Form 8-K filed on December 3, 2014.

(23) Incorporated by reference from the Company’s Current Report on Form 8-K filed on January 22, 2016.

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

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

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

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

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

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

† 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 15, 2018

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 15, 2018
/s/ MICHAEL B. TARGOFF Michael B. Targoff	Director, Vice Chairman of the Board	March 15, 2018
/s/ JOHN D. HARKEY, JR. John D. Harkey, Jr.	Director	March 15, 2018
/s/ ARTHUR L. SIMON Arthur L. Simon	Director	March 15, 2018
/s/ JOHN P. STENBIT John P. Stenbit	Director	March 15, 2018
/s/ JANET T. YEUNG Janet T. Yeung	Director	March 15, 2018
/s/ AVI KATZ Avi Katz	President, General Counsel & Secretary (Principal Executive Officer)	March 15, 2018
/s/ JOHN CAPOGROSSI John Capogrossi	Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer)	March 15, 2018
/s/ RAVINDER S. GIRGLA Ravinder S. Girgla	Vice President and Controller (Principal Accounting Officer)	March 15, 2018

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders 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, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2017, 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, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

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, 2017, 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 15, 2018 , 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.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 15, 2018

We have served as the Company's auditor since 1996.

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 31,	
	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 255,139	$ 37,458
Income taxes receivable	11,105	545
Other current assets	3,099	2,938
Total current assets	269,343	40,941
Income taxes receivable, non-current	1,550	—
Investments in affiliates	53,430	107,950
Deferred tax assets	50,016	115,285
Other assets	372	55
Total assets	$ 374,711	$ 264,231
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accrued employment costs	$ 2,573	$ 2,356
Other current liabilities	1,279	3,772
Total current liabilities	3,852	6,128
Pension and other postretirement liabilities	18,786	18,433
Long-term liabilities	61,475	69,259
Total liabilities	84,113	93,820
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, $0.01 par value; 10,000,000 shares authorized, no shares 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	(682,831)	(826,460)
Accumulated other comprehensive loss	(37,278)	(13,836)
Total shareholders' equity	290,598	170,411
Total liabilities and shareholders' equity	$ 374,711	$ 264,231

See notes to consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

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

	Year Ended December 31,		
	2017	2016	2015
General and administrative expenses	$ (7,935)	$ (6,726)	$ (6,530)
Operating loss	(7,935)	(6,726)	(6,530)
Interest and investment income	2,483	194	138
Interest expense	(27)	(20)	(17)
Other expense	(3,291)	(1,449)	(3,779)
Loss from continuing operations before income taxes and equity in net income (loss) of affiliates	(8,770)	(8,001)	(10,188)
Income tax (provision) benefit	(73,108)	(28,507)	45,476
(Loss) income from continuing operations before equity in net income (loss) of affiliates	(81,878)	(36,508)	35,288
Equity in net income (loss) of affiliates	216,347	84,078	(104,792)
Income (loss) from continuing operations	134,469	47,570	(69,504)
Loss from discontinued operations, net of tax	(5)	(370)	(778)
Net income (loss)	$ 134,464	$ 47,200	$ (70,282)
Net income (loss) per share:			
Basic			
Income (loss) from continuing operations	$ 4.35	$ 1.54	$ (2.25)
Loss from discontinued operations, net of tax	—	(0.01)	(0.03)
Net income (loss)	$ 4.35	$ 1.53	$ (2.28)
Diluted			
Income (loss) from continuing operations	$ 4.30	$ 1.50	$ (2.25)
Loss from discontinued operations, net of tax	—	(0.01)	(0.03)
Net income (loss)	$ 4.30	$ 1.49	$ (2.28)
Weighted average common shares outstanding:			
Basic	30,933	30,933	30,928
Diluted	31,008	31,008	30,928

See notes to consolidated financial statements

LORAL SPACE & COMMUNICATIONS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended December 31,		
	2017	**2016**	**2015**
Net income (loss)	$ 134,464	$ 47,200	$ (70,282)
Other comprehensive (loss) income, net of tax:			
Post-retirement benefits	(694)	(615)	523
Proportionate share of Telesat other comprehensive (loss) income	(18,280)	15,477	—
Other comprehensive (loss) income net of tax	(18,974)	14,862	523
Comprehensive income (loss)	$ 115,490	$ 62,062	$ (69,759)

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, 2015	21,569	$ 216	9,506	$ 95	$ 1,017,520	154	$ (9,592)	$ (803,378)	$ (29,221)	$ 175,640
Net loss								(70,282)		
Other comprehensive income									523	
Comprehensive loss										(69,759)
Settlement of restricted stock units	13	—			—					—
Adjustment to tax benefit associated with stock-based compensation					2,609					2,609
Balance, December 31, 2015	21,582	216	9,506	95	1,020,129	154	(9,592)	(873,660)	(28,698)	108,490
Net income								47,200		
Other comprehensive income									14,862	
Comprehensive income										62,062
Adjustment to tax benefit associated with stock-based compensation					(141)					(141)
Balance, December 31, 2016	21,582	216	9,506	95	1,019,988	154	(9,592)	(826,460)	(13,836)	170,411
Net income								134,464		
Other comprehensive loss									(18,974)	
Comprehensive income										115,490
Tax Cuts and Jobs Act, reclassification tax effect								4,468	(4,468)	—
Cumulative effect adjustment attributable to previously unrecognized excess tax benefits on stock-based compensation								4,697		4,697
Balance, December 31, 2017	21,582	$ 216	9,506	$ 95	$ 1,019,988	154	$ (9,592)	$ (682,831)	$ (37,278)	$ 290,598

See notes to consolidated financial statements

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

	Year Ended December 31,		
	2017	**2016**	**2015**
Operating activities:			
Net income (loss)	$ 134,464	$ 47,200	$ (70,282)
Loss from discontinued operations, net of tax	5	370	778
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Non-cash operating items (Note 2)	(135,087)	(53,567)	66,399
Changes in operating assets and liabilities:			
Other current assets and other assets	(161)	140	25
Accrued employment costs and other current liabilities	325	(376)	(988)
Income taxes receivable	(12,110)	(187)	(834)
Pension and other postretirement liabilities	(1,787)	(1,563)	(3,504)
Long-term liabilities	(7,540)	(1,572)	(7,586)
Net cash used in operating activities – continuing operations	(21,891)	(9,555)	(15,992)
Net cash used in operating activities – discontinued operations	(2,809)	(11,694)	(12,762)
Net cash used in operating activities	(24,700)	(21,249)	(28,754)
Investing activities:			
Distribution received from affiliate	242,735	—	—
Capital expenditures	(50)	(5)	(102)
Net cash provided by (used in) investing activities – continuing operations	242,685	(5)	(102)
Receipt of principal, promissory note - discontinued operations	—	—	33,667
Net cash provided by (used in) investing activities	242,685	(5)	33,565
Financing activities:			
Adjustment to tax benefit associated with stock based-based compensation	—	(141)	2,609
Net cash (used in) provided by financing activities – continuing operations	—	(141)	2,609
Net cash provided by financing activities – discontinued operations	—	—	—
Net cash (used in) provided by financing activities	—	(141)	2,609
Cash, cash equivalents and restricted cash — period increase (decrease)	217,985	(21,395)	7,420
Cash, cash equivalents and restricted cash — beginning of year	37,458	58,853	51,433
Cash, cash equivalents and restricted cash — end of year	$ 255,443	$ 37,458	$ 58,853

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.

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 Teleast Canada ("Telesat"), a leading global satellite services provider. Prior to and as of December 31, 2016, Telesat Canada was a subsidiary of, and Loral held its ownership interest in Telesat Canada through, Telesat Holdings Inc. Effective January 1, 2017, Telesat Holdings Inc. completed a corporate reorganization of companies under common control, pursuant to which Telesat Holdings Inc. amalgamated with Telesat Interco Inc., a wholly owned subsidiary of Telesat Holdings Inc., and immediately thereafter the newly amalgamated company amalgamated with Telesat Canada. The continuing entity, existing under the laws of Canada, is named Telesat Canada. Telesat has accounted for the reorganization as a continuation of Telesat Holdings Inc.

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 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 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.

Loral holds a 62.7% economic interest and a 32.7% voting interest in Telesat (see Note 5). We use the equity method of accounting for our ownership interest in Telesat.

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

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. Amounts in prior periods have been reclassified to conform to the current year presentation.

Discontinued Operations

On November 2, 2012, Loral completed the sale (the "Sale") of its wholly-owned subsidiary, Space Systems/Loral, LLC (formerly known as Space Systems/Loral, Inc.) ("SSL"), to MDA Communications Holdings, Inc. ("MDA Holdings"), a subsidiary of MacDonald, Dettwiler and Associates Ltd. ("MDA"). Pursuant to the purchase agreement (the "Purchase Agreement"), dated as of June 26, 2012, as amended on October 30, 2012 and March 28, 2013, by and among Loral, SSL, MDA and MDA Holdings, Loral agreed to indemnify MDA and its affiliates from (1) liabilities with respect to certain pre-closing taxes; and (2) certain litigation costs and litigation damages in a lawsuit (the "ViaSat Suit") brought in 2012 by ViaSat, Inc. ("ViaSat") against Loral and SSL (see Note 13).

Adjustments to amounts previously reported in discontinued operations and interest expense that is directly related to the Sale are classified as discontinued operations in the statements of operations and cash flows for the years ended December 31, 2017, 2016 and 2015.

Investments in Affiliates

Our ownership interest in Telesat is accounted for using the equity method of accounting. Income and losses of Telesat are recorded based on our economic interest. 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 them 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. 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. 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 for the years ended December 31, 2017, 2016 and 2015. 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 and our pension liabilities.

Cash, Cash Equivalents and Restricted Cash

As of December 31, 2017, the Company had $255.1 million of cash and cash equivalents. Cash and cash equivalents include liquid investments, primarily money market funds, with maturities of less than 90 days at the time of purchase. Management determines the appropriate classification of its investments at the time of purchase and at each balance sheet date.

As of December 31, 2017 and December 31, 2016, the Company had restricted cash of $0.3 million and nil, respectively. The restricted cash of $0.3 million as of December 31, 2017 represents the amount pledged as collateral to the issuer of a standby letter of credit (the "LC"). The LC, which expires in October 2018 and contains an automatic renewal period of one year, 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 condensed consolidated balance sheet to the condensed consolidated statement of cash flows (in thousands):

	December 31, 2017
Cash and cash equivalents	$ 255,139
Restricted cash included in other assets	304
Cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 255,443

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, 2017 and December 31, 2016, 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 at December 31, 2017 and December 31, 2016 (in thousands):

	December 31, 2017			December 31, 2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Cash and cash equivalents:						
Money market funds	$ 251,742	$ —	$ —	$ 35,514	$ —	$ —
Other current assets:						
Indemnification - Sale of SSL	$ —	$ —	$ 2,410	$ —	$ —	$ 2,410
Liabilities						
Long term liabilities						
Indemnification - Globalstar do Brasil S.A.	$ —	$ —	$ 293	$ —	$ —	$ 357

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, 2017 and December 31, 2016.

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 the estimated liability, which was originally determined using the fair value objective approach. The estimated liability for indemnifications relating to Globalstar do Brasil S.A. ("GdB"), originally determined using expected value analysis, is net of payments since inception.

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 operating earnings any additional U.S. current and deferred tax required on distributions received or deemed to be received from Telesat. 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.

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,		
	2017	2016	2015
Non-cash operating items:			
Equity in net (income) loss of affiliates	$ (216,347)	$ (84,078)	$ 104,792
Deferred taxes	80,189	29,535	(39,694)
Depreciation and amortization	38	60	41
Amortization of prior service credit and actuarial loss	1,033	916	1,260
Net non-cash operating items – continuing operations	$ (135,087)	$ (53,567)	$ 66,399
Supplemental information:			
Interest paid – continuing operations	$ 27	$ 20	$ 314
Interest paid – discontinued operations	$ 55	$ 750	$ 1,549
Tax payments, net of refunds – continuing operations	$ 12,504	$ 153	$ (233)

Recent Accounting Pronouncements

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* . On December 22, 2017, H.R. 1, known as the "Tax Cuts and Jobs Act" was signed into law. Among other things, the Tax Cuts and Jobs Act permanently reduced the U.S. federal corporate income tax rate from 35 percent to 21 percent effective for tax years commencing January 1, 2018. According to ASU 2018-02, an entity may either elect to (a) reclassify from accumulated other comprehensive income (loss) to retained earnings the stranded income tax effects of the federal tax rate change (the "Reclassification") or (b) provide certain disclosures. The new guidance is effective for the Company on January 1, 2019, with earlier adoption permitted in any interim or annual period. The amendments in this update are to be applied either in the period of adoption or retrospectively to each period in which the effect of the tax rate change is recognized. The Company early adopted the new guidance in the fourth quarter of 2017 and elected the Reclassification approach. As a result of adopting the new guidance, we reclassified $4.5 million of stranded deferred federal income tax benefits from accumulated other comprehensive loss to accumulated deficit in the fourth quarter of 2017 related to the change in the federal corporate income tax rate.

In March 2017, the FASB issued ASU No. 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* . ASU No. 2017-07, as it applies to the Company, amended the presentation of net periodic pension and postretirement cost (i.e. net benefit cost). The new guidance requires the service cost component to be presented separate from the other components of net benefit cost. While service cost will be presented with other employee compensation costs within operations, the other components of net benefit cost, such as interest cost, amortization of prior service cost, and gains or losses, are required to be separately presented outside of operations, if income or loss from operations is presented. The guidance, to be applied retrospectively, is effective for the Company on January 1, 2018, with earlier application permitted only within the first interim period starting January 1, 2017. The change in presentation of net benefit cost, which we adopted as of January 1, 2018, will not have a material impact on our condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash,* a consensus of the FASB's Emerging Issues Task Force (the "Task Force"). The new guidance requires entities to show the changes in total cash including cash equivalents and restricted cash, in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash in the statement of cash flows. Entities will also be required to reconcile such total to amounts on the balance sheet and disclose the nature of the restrictions. The new guidance is effective for the Company on January 1, 2018, with earlier application permitted in any interim or annual period, using a retrospective transition method. The Company early adopted the new guidance in the third quarter of 2017. As a result of adopting the new guidance, the statements of cash flows for the years ended December 31, 2017, 2016 and 2015 show changes in total cash including cash equivalents and restricted cash, and the nature of the restrictions are disclosed above under *Cash, Cash Equivalents and Restricted Cash.*

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)* , a consensus of the FASB's Task Force. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The guidance relevant to the Company provides an accounting policy election for classifying distributions received from equity method investments. Such amounts can be classified using (i) a cumulative earnings approach, or (ii) a nature of distribution approach. Under the cumulative earnings approach, an investor compares the distributions received to such investor's cumulative equity method earnings since inception. Any distributions received up to the amount of cumulative equity earnings are considered a return on investment and classified in operating activities. Any excess distributions are considered a return of investment and classified in investing activities. Alternatively, under the nature of distribution approach, an investor classifies the distributions based on the nature of activities of the investee that generated the distribution. If the necessary information is subsequently not available for an investee to determine the nature of the activities, the entity should use the cumulative earnings approach for that investee and report a change in accounting principle on a retrospective basis. The new guidance is effective for the Company on January 1, 2018, with earlier application permitted in any interim or annual period, using a retrospective transition method. The Company early adopted the new guidance on January 1, 2017 and made an accounting policy election to use the nature of distribution approach to classify distributions from equity method investments on its statements of cash flows. As a result of adopting the new guidance, the entire distribution of $242.7 million received from Telesat in the first quarter of 2017 is classified in investing activities on the statement of cash flows for the year ended December 31, 2017 (see Note 5).

In March 2016, the FASB issued ASU No. 2016-09, *Improvements to Employee Share-Based Payment Accounting.* ASU No. 2016-09 simplified several aspects of the accounting for share-based payment transactions, including the income tax consequences. Under the new guidance, all excess tax benefits and tax deficiencies related to share-based payment transactions are recognized in the current period as discrete adjustments to income tax expense or benefit in the income statement. Under previous U.S. GAAP, excess tax benefits were recognized in additional paid-in capital while tax deficiencies were recognized first as an offset to accumulated excess tax benefits, then as additional income tax expense. Also, under previous U.S. GAAP, excess tax benefits were not recognized until the related income tax deduction reduced income taxes payable. The Company adopted the new guidance on January 1, 2017, and upon adoption previously unrecognized excess tax benefits of $4.7 million were recognized as a cumulative-effect adjustment to increase retained earnings and deferred tax assets.

In February 2016, the FASB amended the Accounting Standards Codification ("ASC") by creating ASC Topic 842, *Leases.* 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, effective for the Company on January 1, 2019, with earlier application permitted, is not expected to have a material impact on our consolidated financial statements.

3. Accumulated Other Comprehensive Loss

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

	Postretirement Benefits	Proportionate Share of Telesat Other Comprehensive (Loss) Income	Accumulated Other Comprehensive Loss
Balance at January 1, 2015	$ (13,982)	$ (15,239)	$ (29,221)
Other comprehensive loss before reclassification	(265)	—	(265)
Amounts reclassified from accumulated other comprehensive loss	788	—	788
Net current-period other comprehensive income	523	—	523
Balance at December 31, 2015	(13,459)	(15,239)	(28,698)
Other comprehensive (loss) income before reclassification	(1,209)	15,477	14,268
Amounts reclassified from accumulated other comprehensive loss	594	—	594
Net current-period other comprehensive (loss) income	(615)	15,477	14,862
Balance at December 31, 2016	(14,074)	238	(13,836)
Other comprehensive loss before reclassification	(1,365)	(18,280)	(19,645)
Amounts reclassified from accumulated other comprehensive loss	671	—	671
Net current-period other comprehensive loss	(694)	(18,280)	(18,974)
Tax Cuts and Jobs Act, reclassification of tax effect from accumulated other comprehensive loss to accumulated deficit	(1,686)	(2,782)	(4,468)
Balance at December 31, 2017	$ (16,454)	$ (20,824)	$ (37,278)

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

	Before-Tax Amount	Tax (Provision) Benefit	Net-of-Tax Amount
Year ended December 31, 2017			
Postretirement Benefits:			
Net actuarial loss and prior service credits	$ (2,101)	$ 736	$ (1,365)
Amortization of prior service credits and net actuarial loss	1,033(a)	(362)	671
Postretirement benefits	(1,068)	374	(694)
Proportionate share of Telesat other comprehensive loss	(28,132)	9,852	(18,280)
Other comprehensive loss	$ (29,200)	$ 10,226	$ (18,974)
Year ended December 31, 2016			
Postretirement Benefits:			
Net actuarial loss and prior service credits	$ (1,865)	$ 656	$ (1,209)
Amortization of prior service credits and net actuarial loss	916(a)	(322)	594
Postretirement benefits	(949)	334	(615)
Proportionate share of Telesat other comprehensive income (b)	23,872	(8,395)	15,477
Other comprehensive income	$ 22,923	$ (8,061)	$ 14,862
Year ended December 31, 2015			
Postretirement Benefits:			
Net actuarial loss and prior service credits	$ (424)	$ 159	$ (265)
Amortization of prior service credits and net actuarial loss	1,260(a)	(472)	788
Postretirement benefits	836	(313)	523
Proportionate share of Telesat other comprehensive gain (loss)	—	—	—
Other comprehensive income	$ 836	$ (313)	$ 523

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

(b) Includes $20.8 million ($13.5 million, net of tax) share in the equity of Telesat's other comprehensive income that we could not record in 2015 (see Note 5).

4. Other Current Assets

Other current assets consist of (in thousands):

	December 31 2017	December 31, 2016
Indemnification receivable from SSL for pre-closing taxes (see Note 13)	$ 2,410	$ 2,410
Due from affiliates	217	225
Prepaid expenses	198	192
Other	274	111
	$ 3,099	$ 2,938

5. Investments in Affiliates

Investments in affiliates consist of (in thousands):

	December 31,	
	2017	2016
Telesat	$ 53,430	$ 107,950

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

	Year Ended December 31,		
	2017	2016	2015
Telesat	$ 216,347	$ 84,078	$ (74,329)
XTAR	—	—	(30,463)
	$ 216,347	$ 84,078	$ (104,792)

Telesat

As of December 31, 2017 and 2016, we held a 62.7% economic interest and a 32.7% voting interest in Telesat. Our economic interest decreased from 62.8% to 62.7% in March 2016 when certain Telesat employees exercised share appreciation rights related to a total of 178,642 stock options granted under Telesat's share-based compensation plan and received 129,400 non-voting participating preferred shares. Also in March 2016, a total of 1,253,477 vested stock options were repurchased by Telesat at fair value from Telesat management personnel and other employees for total cash consideration of CAD 24.7 million, of which CAD 18.7 million was paid to management personnel.

In the first quarter of 2017, we received $242.7 million in cash from Telesat, representing our share of an aggregate approximately $400 million distribution from Telesat to its shareholders and stock option holders.

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

In addition to recording our share of equity in net income of Telesat, we also recorded our share of equity in other comprehensive loss of Telesat of $28.1 million for the year ended December 31, 2017.

As of December 31, 2015, we had an unrecorded equity loss in Telesat of $57.9 million, the amount by which our share of Telesat's losses together with cash distributions we received from Telesat exceeded our recorded cumulative equity in net income of Telesat and our initial investment. Accordingly, in following the equity method of accounting, our investment balance in Telesat was reduced to zero as of December 31, 2015. In addition, our equity in Telesat's other comprehensive income that we could not record as of December 31, 2015 was $20.8 million. We recognized this $57.9 million equity loss and our $20.8 million share in the equity of Telesat's other comprehensive income in 2016 as a result of the recognition of the suspended loss.

During the year ended December 31, 2016, we recorded an increase in equity in net income of affiliates of $3.0 million ($1.9 million, net of tax) that should have been recognized in prior years. As a result, net income per share (basic and diluted) increased $0.06 per share. During the year ended December 31, 2015, we recorded an increase to our equity in net loss of affiliates of $3.5 million ($2.2 million, net of tax) and an increase in other comprehensive income of $5.3 million that should have been recognized in prior years. As a result, net loss per share (basic and diluted) increased $0.07 per share. The 2016 non-cash adjustment relates primarily to an error in mark-to-market accounting for embedded foreign exchange derivatives in a Telesat customer contract. Changes in fair value of these embedded derivatives are required to be recognized under U.S. GAAP, but not under International Financial Reporting Standards, the basis of accounting used by Telesat. The 2015 non-cash adjustment consisted primarily of foreign exchange gains and losses. The Company has not revised previous financial statements for these adjustments based on its belief that the effect of such adjustments is not material to the financial statements taken as a whole.

On November 17, 2016, Telesat entered into amended senior secured credit facilities which provide for term loan borrowings of $2.43 billion which mature on November 17, 2023 and revolving credit borrowings of up to $200 million (or Canadian dollar equivalent) which mature on November 17, 2021. Telesat also issued, through a private placement, $500 million of 8.875% senior notes which mature on November 17, 2024.

On November 17, 2016, Telesat repaid all outstanding amounts under its former senior secured credit facilities and its 6.0% senior notes.

On February 1, 2017, Telesat amended the senior secured credit facilities to effectively reprice the then outstanding term loan borrowings of $2.424 billion.

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, 2017, Telesat's Total Leverage Ratio was 4.55:1.00. Telesat is, however, 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.

The following table presents summary financial data for Telesat in accordance with U.S. GAAP, for the years ended December 31, 2017, 2016 and 2015 and as of December 31, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Statement of Operations Data:			
Revenues	$ 712,390	$ 703,131	$ 751,684
Operating expenses	(150,872)	(139,141)	(140,706)
Depreciation, amortization and stock-based compensation	(194,203)	(195,781)	(190,985)
Insurance proceeds	4,739	—	—
Loss on disposition of long lived assets	(207)	(1,937)	(24)
Operating income	371,847	366,272	419,969
Interest expense	(151,528)	(145,288)	(138,783)
Loss on refinancing	—	(12,246)	—
Foreign exchange gain (loss)	173,433	68,719	(426,980)
(Loss) gain on financial instruments	(3,516)	974	7,810
Other income	2,307	4,590	3,672
Income tax provision	(54,424)	(58,772)	(74,447)
Net income (loss)	$ 338,119	$ 224,249	$ (208,759)

	December 31,	
	2017	2016
Balance Sheet Data:		
Current assets	$ 445,104	$ 678,361
Total assets	4,082,472	4,194,006
Current liabilities	126,100	154,173
Long-term debt, including current portion	2,829,911	2,877,950
Total liabilities	3,538,656	3,597,056
Shareholders' equity	543,816	596,950

ASU 2014-09, *Revenue from Contracts with Customers,* and its related amendments (collectively, the "New Revenue Standard") are effective for reporting periods beginning after December 15, 2017 and interim periods therein. In accordance with the standard, Telesat has adopted the New Revenue Standard effective January 1, 2018 and elected the modified retrospective approach with the cumulative effect of adoption recognized through retained earnings at the date of adoption. While Telesat has not yet provided us with the financial statement impact of the New Revenue Standard, we anticipate the following:

For customer contracts that include prepayments that represent a significant financing component, the time value of money related to the promised amount of consideration will be recognized upon adoption . We anticipate that our investment in Telesat and retained earnings will decrease upon adoption. Going forward, we expect this change will have an immaterial impact on our net income.

For certain contracts, it appears that Telesat would be considered as an agent in the arrangement as opposed to the principal. This will result in a reclassification between revenue and operating expenses. We anticipate that there will be no impact on our investment in Telesat or net income as a result of this change.

XTAR

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

XTAR owns and operates an X-band satellite, XTAR-EUR, located at 29° E.L., which is designed to provide X-band communications services exclusively to United States, Spanish and allied government users throughout the satellite's coverage area, including Europe, the Middle East and Asia. XTAR also leases 7.2 72MHz X-band transponders on the Spainsat satellite located at 30° W.L., owned by Hisdesat. These transponders, designated as XTAR-LANT, provide capacity to XTAR for additional X-band services and greater coverage and flexibility.

As of December 31, 2017 and 2016, the carrying value of our investment in XTAR was zero as a result of the decline in its fair value that was determined to be other-than-temporary. The value of our investment in XTAR was determined based on the income approach by discounting projected annual cash flows to their present value using a rate of return appropriate for the risk of achieving the projected cash flows. We recorded non-cash impairment charges of $21.2 million for the year ended December 31, 2015 related to our investment in XTAR. In the third quarter of 2015, we recorded an impairment charge of $8 million primarily as a result of an increase in the discount rate used to value our investment in XTAR. We recorded an additional impairment charge of $13.2 million in the fourth quarter of 2015 primarily due to the reassessment of our revenue expectations for future years dictated by a decline in XTAR's revenues by approximately 11% from 2014 to 2015. 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.

XTAR's lease obligation to Hisdesat for the XTAR-LANT transponders (the "Transponder Service") requires payment by XTAR up to a maximum amount of $28 million per year through the end of the useful life of the satellite which is estimated to be in 2021. Under the lease agreement (the "Spainsat Lease Agreement"), Hisdesat may also be entitled under certain circumstances to a share of the revenues generated on the Transponder Service. In September 2016, XTAR and Hisdesat amended the Spainsat Lease Agreement to, among other things, reduce for 2016 and 2017 the minimum capacity required to be leased by XTAR, and accordingly lease payments by XTAR for 2016 and 2017 were reduced from $26 million to $18.2 million. The 2016 reduction was retroactive to January 1, 2016. In January 2017, XTAR and Hisdesat amended the Spainsat Lease Agreement to, among other things, reduce for 2017 the minimum capacity required to be leased by XTAR, and accordingly lease payments by XTAR for 2017 were reduced to $9.5 million. In January 2018, XTAR and Hisdesat again amended the Spainsat Lease Agreement to, among other things, reduce for 2018 the minimum capacity required to be leased by XTAR, and accordingly lease payments by XTAR for 2018 were reduced from $26.0 million to $10.0 million. In March 2009, XTAR entered into an agreement with Hisdesat pursuant to which the past due balance on XTAR-LANT transponders of $32.3 million as of December 31, 2008, together with a deferral of $6.7 million in payments due in 2009, is payable to Hisdesat over 12 years through annual payments of $5 million (the "Catch Up Payments"). XTAR has a right to prepay, at any time, all unpaid Catch Up Payments discounted at 9%. Cumulative amounts paid to Hisdesat for Catch-Up Payments through December 31, 2017 were $29.2 million. As of December 31, 2017 and 2016, XTAR has deferred payment of liabilities of $32.7 million and $28.8 million, respectively, for its lease obligation and Catch-Up Payments to Hisdesat. XTAR has also agreed that XTAR's excess cash balance (as defined) will be applied towards making limited payments on future lease obligations, as well as payments of other amounts owed to Hisdesat, Telesat and Loral for services provided by them to XTAR. The ability of XTAR to pay dividends and management fees in cash to Loral is governed by XTAR's operating agreement (see Note 14).

The following table presents summary financial data for XTAR for the years ended December 31, 2017, 2016 and 2015 and as of December 31, 2017 and 2016 (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Statement of Operations Data:			
Revenues	$ 16,775	$ 18,550	$ 25,852
Operating expenses	(15,838)	(24,123)	(31,933)
Depreciation and amortization	(6,471)	(8,589)	(8,874)
Operating loss	(5,534)	(14,162)	(14,955)
Net loss	(11,646)	(18,296)	(18,722)

	December 31,	
	2017	2016
Balance Sheet Data:		
Current assets	$ 5,670	$ 6,202
Total assets	28,437	35,846
Current liabilities	2,554	1,773
Related party liabilities	73,699	73,459
Total liabilities	76,253	75,232
Members' equity	(47,816)	(39,386)

Other

As of December 31, 2017 and 2016, the Company 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. Loral has written-off its investment in this company, and, because we have no future funding requirements relating to this investment, there is no requirement for us to provide for our allocated share of this company's net losses.

The Company also previously held an indirect ownership interest in a foreign joint venture company that serves as the exclusive service provider for Globalstar service in Russia. In connection with a settlement agreement entered into in June 2017 with the Russian joint venture partner to settle certain arbitration and legal proceedings relating to the joint venture, the parties released each other from all claims either party had or may have against the other relating to the dispute, our investment and their relationship (see Note 13).

6. Other Current Liabilities

Other current liabilities consists of (in thousands):

	December 31,	
	2017	2016
SSL indemnification liability relating to ViaSat Suit settlement (see Note 13)	$ —	$ 2,801
Due to affiliate	9	—
Accrued professional fees	1,117	665
Pension and other postretirement liabilities	69	108
Accrued liabilities	84	198
	$ 1,279	$ 3,772

7. Income Taxes

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

	Year Ended December 31,		
	2017	2016	2015
Current:			
U.S. federal	$ (13,783)	$ (1,718)	$ (1,089)
State and local	21,114	2,981	7,106
Foreign	(250)	(235)	(235)
Total current	7,081	1,028	5,782
Deferred:			
U.S. federal	(80,136)	(26,337)	35,721
State and local	(53)	(3,198)	3,973
Total deferred	(80,189)	(29,535)	39,694
Total income tax (provision) benefit	$ (73,108)	$ (28,507)	$ 45,476

Our current tax benefit includes a decrease to our liability for UTPs for (in thousands):

	Year Ended December 31,		
	2017	2016	2015
Decrease to unrecognized tax benefits	$ 1,062	$ 2,477	$ 4,921
Interest income (expense)	429	(2,011)	(103)
Penalties	5,985	387	1,393
Total	$ 7,476	$ 853	$ 6,211

The deferred tax (provision) benefit for each period included the impact of equity in net income (loss) of affiliates from our consolidated statement of operations.

For each period presented, the statute of limitations for the assessment of additional tax expired with regard to several of our federal and state UTPs and certain other UTPs were settled. As a result, the reduction to our liability for UTPs provided a current tax benefit including the reversal of previously recognized interest and penalties, partially offset by an additional provision for the potential payment of interest on our remaining UTPs.

The Tax Cuts and Jobs Act made broad and complex changes to the U.S tax code, such as the imposition of a one-time transition tax in 2017 on certain unrepatriated earnings of controlled foreign corporations, including Telesat, and numerous changes first effective in 2018 including, but not limited to, (1) reducing the U.S. federal corporate income tax rate from 35 percent to 21 percent; (2) eliminating U.S federal income taxes on dividends from certain foreign investments, such as Telesat; (3) requiring a current inclusion in U.S. federal taxable income of certain earnings of controlled foreign corporations, including Telesat; (4) limiting the use of foreign tax credits ("FTC") to reduce U.S. federal tax liability; (5) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (6) creating the base erosion anti-abuse tax, a new minimum tax; (7) creating a new limit on deductible interest expense; and (8) changing the rules related to the use of net operating loss ("NOL") carryforwards created in tax years beginning after December 31, 2017. We recognized the income tax effects of the Tax Cuts and Jobs Act in accordance with the Securities and Exchange Commission Staff Accounting Bulletin No. 118, *Income Tax Accounting Implication of the Tax Cuts and Job Act* (SAB 118), in our consolidated financial statements for the year ended December 31, 2017. SAB 118 provides guidance for the application of income tax accounting standards related to the Tax Cuts and Jobs Act. Based upon our analysis, as of December 31, 2017, we reduced deferred tax assets by $33.2 million related to the tax rate reduction with a corresponding increase to our deferred income tax provision and increased non-current income taxes receivable by $1.6 million related to refundable AMT credits with a corresponding reduction to deferred tax assets. The preliminary effect recorded may change in the future due to revisions in the interpretation of the Tax Cuts and Jobs Act or legislative action to clarify interpretation of the Tax Cuts and Jobs Act. The Company expects to finalize the effect of the Tax Cuts and Jobs Act with the filing of its 2017 tax return and record in the fourth quarter of 2018 any difference between the final effect and the provisional effect recorded.

The current tax provision for the year ended December 31, 2017 included our anticipated income tax liability related to the cash distribution received from Telesat after use of AMT credits and NOL carryforwards and FTCs from Telesat. Upon receiving the cash distribution from Telesat in the first quarter of 2017, we recorded a current tax liability of $53.0 million. During 2017, we made tax payments of $12.5 million, primarily with respect to the distribution, and commenced a tax study to determine the allowable amount of FTCs that could be utilized to minimize our cash tax liability. After completing our analysis in the fourth quarter of 2017, we reduced our current tax liability to approximately $2.0 million and established a deferred tax asset of $104.9 million for the carryforward of unused FTCs. Since, at the current time, sufficient positive evidence does not exist to support full recovery of the FTC carryforward, we recorded a full valuation allowance against this deferred tax asset during the year ended December 31, 2017. As of December 31, 2017, we had no income taxes payable and a current income tax receivable of $11.1 million, primarily related to recovery of tax payments previously made on the cash distribution.

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

	Year Ended December 31,		
	2017	2016	2015
Tax benefit on loss from discontinued operations	$ 3	$ 200	$ 450
Adjustment to tax benefit associated with stock-based compensation recorded to paid-in-capital	—	(141)	2,609
Cumulative effect adjustment attributable to previously unrecognized excess tax benefits on stock-based compensation	4,697	—	—
Deferred tax benefit (provision) for adjustments in other comprehensive loss (see Note 3)	10,226	(8,061)	(313)

Until December 31, 2016, the Company used the with-and-without approach of determining how and when excess tax benefits from stock-based compensation had been realized and recorded to paid-in-capital. Effective January 1, 2017, the Company adopted ASU No. 2016-09, and upon adoption, previously unrecognized excess tax benefits of $4.7 million were recognized as a cumulative-effect adjustment to decrease accumulated deficit and increase deferred tax assets (see Note 2).

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

	Year Ended December 31,		
	2017	2016	2015
Tax benefit at U.S. Statutory Rate of 35%	$ 3,069	$ 2,800	$ 3,566
Permanent adjustments which change statutory amounts:			
State and local income taxes, net of federal income tax	15,413	(4,588)	7,821
Equity in net income (loss) of affiliates	(73,997)	(29,427)	36,677
Provision for unrecognized tax benefits	(1,234)	(1,113)	(708)
Nondeductible expenses	(1,235)	(586)	(1,411)
Change in valuation allowance	(120,389)	4,565	(307)
Income tax credits	138,780	—	—
Foreign income taxes	(250)	(153)	(153)
Effect of U.S. tax law changes	(33,248)	—	—
Other, net	(17)	(5)	(9)
Total income tax (provision) benefit	$ (73,108)	$ (28,507)	$ 45,476

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

	Year Ended December 31,		
	2017	2016	2015
Balance at January 1	$ 68,149	$ 72,298	$ 78,333
Increases related to prior year tax positions	—	1,525	1,955
Decreases as a result of statute expirations	(14,172)	(5,674)	(6,876)
Decreases as a result of tax settlements	—	—	(1,114)
Increases related to current year tax positions	16,433	—	—
Balance at December 31	$ 70,410	$ 68,149	$ 72,298

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 2012. 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 net operating losses were generated and carried forward, and make adjustments up to the amount of the net operating loss carryforward. While we intend to contest any future tax assessments for uncertain tax positions, no assurance can be provided that we would ultimately prevail. During the next twelve months, the statute of limitations for assessment of additional tax will expire with regard to certain UTPs related to our federal income tax return filed for 2012, potentially resulting in a $27.3 million reduction to our unrecognized tax benefits. Pursuant to the Purchase Agreement for the Sale, we are obligated to indemnify SSL for taxes related to periods prior to the closing of the transaction.

Our liability for UTPs decreased from $68.7 million at December 31, 2016 to $61.2 million at December 31, 2017 and is included in long-term liabilities in the consolidated balance sheets. At December 31, 2017, we have accrued $7.2 million for the potential payment of tax-related interest. If our positions are sustained by the taxing authorities, approximately $45.3 million of the tax benefits will reduce the Company's income tax provision from continuing operations. Other than as described above, there were no significant changes to our unrecognized tax benefits during the year ended December 31, 2017, and we do not anticipate any other significant increases or decreases to our unrecognized tax benefits during the next twelve months.

In connection with the acquisition of our ownership interest in Telesat, Loral indemnified Telesat for Loral Skynet tax liabilities relating to periods preceding 2007 and retained the benefit of tax recoveries related to the transferred assets. The unrecognized tax benefits related to the Loral Skynet subsidiaries were transferred to Telesat subject to the Telesat Indemnification. At December 31, 2017, Loral's asset or liability for the Telesat Indemnification based upon the probable outcome of these matters is not expected to be material (see Notes 5 and 14).

At December 31, 2017, we had federal FTC carryforwards of $104.9 million, federal NOL carryforwards of $139.7 million, New York NOL carryforwards of $1.6 million and federal research credits of $0.4 million which expire from 2022 to 2034, as well as state AMT and state research credit carryforwards of approximately $1.3 million that may be carried forward indefinitely.

The reorganization of the Company on the Effective Date 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, 2017, we had a valuation allowance totaling $124.0 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 2017, the valuation allowance increased by $120.4 million, which was recorded as a provision to continuing operations in our statement of operations. Subsequent to the Sale, to the extent that profitability from operations is not sufficient to realize the benefit from our remaining net deferred tax assets, we would generate sufficient taxable income from the appreciated value of our Telesat investment, which currently has a nominal tax basis, in order to prevent federal net operating losses from expiring and realize the benefit of all remaining deferred tax assets.

During 2016, the valuation allowance decreased by $4.6 million, which was recorded as a benefit to continuing operations in our statement of operations after a significant portion of our California NOL carryforward expired unutilized.

During 2015, the valuation allowance increased by $0.3 million, which was recorded as a provision to continuing operations in our statement of operations.

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

	December 31,	
	2017	2016
Deferred tax assets:		
Net operating loss and tax credit carryforwards	$ 165,267	$ 119,524
Compensation and benefits	943	1,582
Indemnification liabilities	216	1,346
Other, net	104	219
Federal benefit of uncertain tax positions	1,518	7,528
Pension costs	3,458	5,984
Investments in and advances to affiliates	2,546	—
Total deferred tax assets before valuation allowance	174,052	136,183
Less valuation allowance	(124,036)	(3,647)
Deferred tax assets net of valuation allowance	50,016	132,536
Deferred tax liabilities:		
Investments in and advances to affiliates	—	17,257
Total deferred tax liabilities	—	17,257
Net deferred tax assets	$ 50,016	$ 115,279
Classification on consolidated balance sheets:		
Deferred tax assets	$ 50,016	$ 115,285
Long-term liabilities	—	(6)
Net deferred tax assets	$ 50,016	$ 115,279

8. Long-Term Liabilities

Long term liabilities consists of (in thousands):

	December 31,	
	2017	2016
Indemnification liabilities - other (see Note 13)	293	357
Deferred tax liability	—	6
Liabilities for uncertain tax positions	61,182	68,658
Other	—	238
	$ 61,475	$ 69,259

9. Stock-Based Compensation

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. The Company granted 75,262 restricted stock units under the Stock Incentive Plan that do not expire and remained unconverted as of December 31, 2017 and December 31, 2016. As of December 31, 2017, there is no unrecognized compensation cost related to non-vested awards.

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 62.3%. The following table presents the dilutive impact of Telesat stock options on Loral's reported income from continuing operations for the purpose of computing diluted earnings per share (in thousands):

	2017	2016
Income from continuing operations — basic	$ 134,469	$ 47,570
Less: Adjustment for dilutive effect of Telesat stock options	(1,194)	(1,096)
Income from continuing operations — diluted	$ 133,275	$ 46,474

Telesat stock options are excluded from the calculation of diluted loss per share for the year ended December 31, 2015 as the effect would be antidilutive.

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,	
	2017	2016
Weighted average common shares outstanding	30,933	30,933
Unconverted restricted stock units	75	75
Common shares outstanding for diluted earnings per share	31,008	31,008

For the year ended December 31, 2015, the following unconverted restricted stock units are excluded from the calculation of diluted loss per share as the effect would have been antidilutive (in thousands):

	Year Ended December 31, 2015
Unconverted restricted stock units	78

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, 2017, 2016 and 2015, 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. Effective January 1, 2015, retiree medical coverage for retirees age 65 or over and their dependents was discontinued. In 2015, the Company made discretionary lump sum payments to participants affected to assist them in purchasing alternate coverage. The effects on the consolidated financial statements of discontinuing this coverage and the lump sum payments were not significant.

Funded Status

The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets for 2017 and 2016, and a statement of the funded status as of December 31, 2017 and 2016. 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,	
	2017	2016	2017	2016
Reconciliation of benefit obligation:				
Obligation at beginning of period	$ 49,463	$ 46,976	$ 544	$ 559
Service cost	702	668	1	1
Interest cost	1,961	1,982	21	22
Participant contributions	27	45	17	20
Actuarial loss (gain)	3,599	1,537	(22)	(6)
Benefit payments	(1,776)	(1,745)	(42)	(52)
Obligation at December 31,	53,976	49,463	519	544
Reconciliation of fair value of plan assets:				
Fair value of plan assets at beginning of period	31,466	29,296	—	—
Actual return on plan assets	3,601	1,709	—	—
Employer contributions	2,322	2,161	25	32
Participant contributions	27	45	17	20
Benefit payments	(1,776)	(1,745)	(42)	(52)
Fair value of plan assets at December 31,	35,640	31,466	—	—
Funded status at end of period	$ (18,336)	$ (17,997)	$ (519)	$ (544)

The benefit obligations for pensions and other employee benefits exceeded the fair value of plan assets by $18.9 million at December 31, 2017 (the "unfunded benefit obligations"). The unfunded benefit obligations were measured using a discount rate of 3.50% and 4.00% at December 31, 2017 and 2016, respectively. Lowering the discount rate by 0.5% would have increased the unfunded benefit obligations by approximately $3.8 million as of December 31, 2017 and 2016. 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, 2017 and 2016 consist of (in thousands):

	Pension Benefits		Other Benefits	
	December 31,		December 31,	
	2017	2016	2017	2016
Actuarial loss	$ (18,941)	$ (17,816)	$ (48)	$ (80)
Amendments-prior service cost	—	—	(22)	(47)
	$ (18,941)	$ (17,816)	$ (70)	$ (127)

The amounts recognized in other comprehensive loss during the years ended December 31, 2017, 2016 and 2015 consist of (in thousands):

	Year Ended December 31,					
	2017		2016		2015	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Actuarial (loss) gain during the period	$ (2,123)	$ 22	$ (1,875)	$ 10	$ (425)	$ 1
Amortization of actuarial loss	998	10	889	5	795	26
Amortization of prior service cost	—	25	—	22	—	11
Recognition due to curtailment	—	—	—	—	—	428
Total recognized in other comprehensive income (loss)	$ (1,125)	$ 57	$ (986)	$ 37	$ 370	$ 466

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

	Pension Benefits		Other Benefits	
	December 31,		December 31,	
	2017	2016	2017	2016
Current Liabilities	$ —	$ —	$ 69	$ 108
Long-Term Liabilities	18,336	17,997	450	436
	$ 18,336	$ 17,997	$ 519	$ 544

The estimated actuarial loss for pension benefits that will be amortized from accumulated other comprehensive income into net periodic cost over the next fiscal year is $1.1 million.

The accumulated pension benefit obligation was $53.0 million and $48.5 million at December 31, 2017 and 2016, respectively.

During 2017, we contributed $2.3 million to the qualified pension plan and our contributions for the other employee post-retirement benefits were not significant. During 2018, based on current estimates, we expect our contributions to the qualified pension plan will be approximately $2.3 million. We expect that our funding of other employee post-retirement benefits during 2018 will not be significant.

The following table provides the components of net periodic cost included in income from continuing operations for the plans for the years ended December 31, 2017, 2016 and 2015 (in thousands):

	Pension Benefits			Other Benefits		
	Year Ended December 31,			Year Ended December 31,		
	2017	2016	2015	2017	2016	2015
Service cost	$ 702	$ 668	$ 511	$ 1	$ 1	$ 2
Interest cost	1,961	1,982	1,896	21	22	38
Expected return on plan assets	(2,124)	(2,047)	(2,107)	—	—	—
Recognition due to curtailment	—	—	—	—	—	428
Amortization of prior service cost	—	—	—	25	22	11
Amortization of net actuarial loss	998	889	795	10	5	26
Net periodic cost	$ 1,537	$ 1,492	$ 1,095	$ 57	$ 50	$ 505

Assumptions

Assumptions used to determine net periodic cost:

	For the Year Ended December 31,		
	2017	2016	2015
Discount rate	4.00%	4.25%	4.00%
Expected return on plan assets	6.75%	7.00%	7.25%
Rate of compensation increase	4.25%	4.25%	4.25%

Assumptions used to determine the benefit obligation:

	December 31,		
	2017	2016	2015
Discount rate	3.50%	4.00%	4.25%
Rate of compensation increase	4.25%	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 2018 is 7.25%.

As of December 31, 2017 and 2016, 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 postretirement 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.

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. In April 2016, the pension plan revised the asset allocation targets in its investment policy to introduce a liquid return-seeking portfolio consisting of global equities, marketable real assets and fixed income investments. Asset allocation policy is reviewed regularly.

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.

The pension plan's actual and targeted asset allocations, based on the revised policy as of December 31, 2017 were as follows:

	December 31, 2017	Target Allocation	
	Actual Allocation	Target	Target Range
Liquid return-seeking investments	60%	56.5%	45-65%
Alternative investments	9%	14.5%	0-20%
Fixed income investments	31%	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 3% 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, 2017 and 2016. 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]**
			(In thousands)			
At December 31, 2017:						
Liquid return-seeking:						
Multi-asset fund [2]	$ 21,447	60%				$ 21,447
Fixed income securities:						
Commingled funds [3]	10,967	31%				10,967
Alternative investments:						
Equity long/short fund [4]	1,067	3%			$ 1,067	
Private equity fund [5]	83	0%			83	
Distressed opportunity limited partnership [6]	504	2%			504	
Multi-strategy limited partnerships [7]	1,572	4%			1,572	
	3,226	9%	—	—	3,226	—
	$ 35,640	100%	—	—	$ 3,226	$ 32,414
At December 31, 2016:						
Liquid return-seeking:						
Multi-asset fund [2]	$ 19,142	61%				$ 19,142
Fixed income securities:						
Commingled funds [3]	9,389	30%				9,389
Alternative investments:						
Equity long/short fund [4]	835	3%			$ 835	
Private equity fund [5]	129	0%			129	
Distressed opportunity limited partnership [6]	448	1%			448	
Multi-strategy limited partnerships [7]	1,523	5%			1,523	
	2,935	9%	—	—	2,935	—
	$ 31,466	100%	—	—	$ 2,935	$ 28,531

(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 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 June 26, 2019, subject to extension for up to three one-year periods. 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. This fund is reported on a one month lag.

(7) Investments mainly in partnerships that have multi-strategy investment programs and do not rely on a single investment model. As of December 31, 2017 and 2016, investments include a partnership that has monthly liquidation rights with notice of 33 days.

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, 2017 and 2016 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 Funds	Total
			(In thousands)		
Balance at January 1, 2016	$ 174	$ 847	$ 313	$ 1,455	$ 2,789
Unrealized gain (loss)	(2)	(12)	135	68	189
Sales	(43)	—	—	—	(43)
Balance at December 31, 2016	129	835	448	1,523	2,935
Unrealized gain	7	232	56	49	344
Sales	(53)	—	—	—	(53)
Balance at December 31, 2017	$ 83	$ 1,067	$ 504	$ 1,572	$ 3,226

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
2018	$ 1,984	$ 70
2019	1,974	61
2020	2,138	55
2021	2,263	48
2022	2,381	43
2023 to 2027	14,044	147

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, 2017, 2016 and 2015, 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, 2017 and 2016.

13. Commitments and Contingencies

Financial Matters

In the fourth quarter of 2012, we sold our former subsidiary, SSL, to MDA pursuant to the Purchase Agreement. Under the terms of the Purchase Agreement, we are obligated to indemnify MDA and its affiliates from (1) liabilities with respect to certain pre-closing taxes; and (2) certain litigation costs and litigation damages relating to the ViaSat Suit. Our consolidated balance sheets include an indemnification refund receivable of $2.4 million as of December 31, 2017 and 2016. This receivable represents payments to date net of the estimated fair value of the liability for our indemnification for our obligation with respect to certain pre-closing taxes. The final amounts for indemnification claims related to pre-closing taxes have not yet been determined. Where appropriate, we intend vigorously to contest the underlying tax assessments, but there can be no assurance that we will be successful. Although no assurance can be provided, we do not believe that these tax-related matters will have a material adverse effect on our financial position or results of operations. For a discussion of the ViaSat Suit and our indemnification obligations related thereto, see Legal Proceedings, below.

In connection with the sale in 2008 by Loral and certain of its subsidiaries and DASA Globalstar LLC to Globalstar Inc. of their respective interests in GdB, the Globalstar Brazilian service provider, Loral agreed to indemnify Globalstar Inc. and GdB for certain GdB pre-closing liabilities, primarily related to Brazilian taxes. Our consolidated balance sheets include liabilities of $0. 3 million and $0.4 million as of December 31, 2017 and 2016, respectively, 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 our agreement to indemnify Telesat for certain liabilities and our arrangements with ViaSat and Telesat.

Lease Arrangements

We lease certain facilities and equipment under agreements expiring at various dates. Certain leases covering facilities contain renewal and/or purchase options which may be exercised by us. We have no sublease income in any of the periods presented. Rent expense is as follows (in thousands):

	Rent Expense
Year ended December 31, 2017	$ 646
Year ended December 31, 2016	641
Year ended December 31, 2015	679

The following is a schedule of future minimum payments by year under leases with initial or remaining terms of one year or more as of December 31, 2016 (in thousands):

	Operating Leases
2018	$ 637
2019	318

Legal Proceedings

ViaSat

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

The terms of the Settlement Agreement provided, among other things, for payment by Loral and SSL to ViaSat on a joint and several basis of $100 million, $40 million of which was paid in September 2014 in connection with entering into the Settlement Agreement, with the remaining $60 million payable with interest in ten equal quarterly installments of $6.9 million from October 15, 2014 through January 15, 2017.

Following a mediation session held on December 1, 2014, Loral and MDA entered into an agreement titled "MDA/Loral Dispute Resolution" dated December 1, 2014 (the "Allocation Agreement"), pursuant to which Loral and MDA agreed that Loral was responsible for $45 million, and MDA and SSL were responsible for $55 million, of the $100 million litigation settlement with ViaSat. Culminating with the final installment payment of $2.8 million in January 2017, Loral paid a total of $46.1 million, including interest, as its share of the ViaSat settlement. Our consolidated balance sheet as of December 31, 2017 and 2016 includes indemnification liabilities related to the ViaSat Settlement Agreement of nil and $2.8 million, respectively.

Russian Joint Venture

In connection with a joint venture that serves as the provider for Globalstar service in Russia in which Loral held an indirect ownership interest, in the fourth quarter of 2016, the Russian joint venture partner (the "Russian JV Partner") commenced an arbitration against Loral in the London Court of International Arbitration (the "LCIA"). In the arbitration, the Russian JV Partner sought, among other things, to recover (i) losses it claimed it suffered in defending legal proceedings in Russian state courts brought by Loral (the "Collection Action") and (ii) costs of the arbitration. Loral had brought its Collection Action to collect a payment owed to Loral by the Russian JV Partner in connection with its exit from the joint venture. The amount Loral expected to receive, after legal fees and expenses, would have been less than $1 million, but the payment was fraudulently diverted, Loral believes, by Russian attorneys retained by Loral's US counsel to a shell company formed by one of the Russian attorneys. In June 2017, Loral entered into a settlement agreement with the Russian JV Partner pursuant to which, among other things, the arbitration and the Collection Action were settled and the parties released each other from all claims either party had or may have against the other relating to the dispute, Loral's investment in the joint venture and their relationship. The settlement, which was completed in the fourth quarter of 2017, and related legal fees did not have a material adverse effect on Loral's financial position or results of operations. The carrying value of Loral's investment in the Russian joint venture was zero as of December 31, 2017 and 2016.

Other Litigation

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

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. Hal Goldstein, a former managing principal of MHR, was a member of the Loral Board until May 2015.

Various funds affiliated with MHR and Dr. Rachesky held, as of December 31, 2017 and December 31, 2016, 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

As described in Note 5, we own 62.7% of Telesat and account for our ownership interest under the equity method of accounting.

In connection with the acquisition of our ownership interest in Telesat (which we refer to as the Telesat transaction), Loral and certain of its subsidiaries, our Canadian co-owner, Public Sector Pension Investment Board ("PSP") and one of its subsidiaries, Telesat Canada 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.

In addition, the Shareholders Agreement provides for either PSP or Loral to initiate the process of conducting an initial public offering of the equity shares of Telesat (a "Telesat IPO"). In connection with our exploration of strategic initiatives to alter the status quo in our ownership of Telesat, in July 2015, we exercised our right under the Shareholders Agreement to require Telesat to conduct a Telesat IPO. Specifically, we requested that Telesat issue not more than 25 million newly issued shares of Telesat voting common stock. We also requested the termination of the Shareholders Agreement and the elimination of certain provisions in Telesat's Articles of Incorporation, both of which we believe are important for a successful public offering. If those provisions are eliminated, an impediment to the conversion of our non-voting Telesat shares to voting shares would be eliminated. Termination or modification of the Shareholders Agreement and conversion of our non-voting shares to voting shares would enable us, after a Telesat IPO and subject to the receipt of any necessary regulatory approvals, to obtain majority voting control of Telesat. Telesat selected two co-managing underwriters and informed us that it will work to implement a Telesat IPO pending our agreement with PSP on the post-IPO governance matters. To date, no such agreement has been reached. There can be no assurance as to whether, when or on what terms a Telesat IPO, termination or modification of the Shareholders Agreement or any requested changes to Telesat's Articles of Incorporation may occur or that any particular economic, tax, structural or other objectives or benefits with respect to a Telesat IPO will be achieved. If a Telesat IPO is expected to proceed under unfavorable terms or at an unfavorable price, we may withdraw our demand for a Telesat IPO.

Depending upon the outcome of discussions with PSP relating to Telesat strategic matters, we may assert certain claims against PSP for actions we believe violated our rights relating to the affairs of Telesat under the Telesat Shareholders Agreement and otherwise. In response to our claims, PSP has informed us that it believes that it may have claims against us, although we are not aware of the legal or factual basis for any such claims. We and PSP have agreed that, pending the outcome of our discussions, it would be beneficial to delay the commencement of any action relating to either party's claims and have entered into an agreement (the "Tolling Agreement") which preserves the parties' rights to assert against one another legal claims relating to Telesat. We also included Telesat as a party to the Tolling Agreement because, as a technical matter of Canadian law and for purposes of potentially seeking equitable relief, Telesat may be a necessary party. There can be no assurance that if the Tolling Agreement lapses that we and PSP will not pursue legal claims against one another relating to Telesat. If we pursue claims against PSP, there can be no assurance that our claims will be successful or that the relief we seek will be granted. If PSP pursues claims against us, there can be no assurance that PSP will not prevail on its claims.

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 each of Telesat and certain of its subsidiaries, including Telesat, consisting of 10 directors, three nominated by Loral, three nominated by PSP and four independent directors to be selected by a nominating committee comprised of one PSP nominee, one nominee of Loral and one of the independent directors then in office. Each party to the Shareholders Agreement is obligated to vote all of its Telesat 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.

On October 31, 2007, Loral and Telesat entered into a consulting services agreement (the "Consulting Agreement"). Pursuant to the terms of the Consulting Agreement, Loral provides to Telesat certain non-exclusive consulting services in relation to the business of Loral Skynet which was transferred to Telesat as part of the Telesat transaction as well as with respect to certain aspects of the satellite communications business of Telesat. The Consulting Agreement has a term of seven-years with an automatic renewal for an additional seven-year term if Loral is not then in material default under the Shareholders Agreement. Upon expiration of the initial term on October 31, 2014, the Consulting Agreement was automatically renewed for the additional seven-year term. In exchange for Loral's services under the Consulting Agreement, Telesat pays Loral an annual fee of $5.0 million, payable quarterly in arrears on the last day of March, June, September and December of each year during the term of the Consulting Agreement. Our general and administrative expenses for each of the years ended December 31, 2017, 2016 and 2015, 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, 2017, 2016 and 2015.

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 $1.0 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.

For the years ended December 31, 2017, 2016 and 2015, Loral's employees and retirees participated in certain welfare plans sponsored or managed by Telesat. Loral paid Telesat an annual administrative fee of $0.1 million and reimbursed Telesat for the plan costs attributable to Loral participants.

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

The Grant Agreements confirm grants of Telesat stock options (including tandem SAR rights) to the Participants and provide for certain rights, obligations and restrictions related to such stock options, which include, among other things: (w) the possible obligation of the Special Purchaser to purchase the shares in the place of Telesat 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 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 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.

In the first quarter of 2017, Loral received a $242.7 million cash distribution from Telesat.

ViaSat/Telesat

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

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

Other

As described in Note 5, we own 56% of XTAR, a joint venture between Loral and Hisdesat and account for our investment in XTAR under the equity method of accounting. SSL constructed XTAR's satellite, which was successfully launched in February 2005. XTAR and Loral have entered into a management agreement whereby Loral provides general and specific services of a technical, financial and administrative nature to XTAR. For the services provided by Loral, XTAR, until December 31, 2013, was charged a quarterly management fee equal to 3.7% of XTAR's quarterly gross revenues. Amounts due to Loral primarily due to the management agreement were $6.8 million as of December 31, 2017 and 2016. Beginning in 2008, Loral and XTAR agreed to defer amounts owed to Loral under this agreement, and XTAR has agreed that its excess cash balance (as defined), will be applied at least quarterly towards repayment of receivables owed to Loral, as well as to Hisdesat and Telesat. No cash was received under this agreement for the years ended December 31, 2017, 2016 and 2015, and we had an allowance of $6.6 million against these receivables as of December 31, 2017 and 2016. Loral and Hisdesat have agreed to waive future management fees for an indefinite period starting January 1, 2014.

Consulting Agreement

On December 14, 2012, Loral entered into a consulting agreement with Michael B. Targoff, Vice Chairman of the Company and former Chief Executive Officer and President. Pursuant to this agreement, Mr. Targoff is engaged as a part-time consultant to the Board to assist the Board with respect to the oversight of strategic matters relating to Telesat and XTAR. 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, 2017, 2016 and 2015, Mr. Targoff earned $1,440,000 in consulting fees. Mr. Targoff reimbursed Loral net expenses of $54,000 for the year ended December 31, 2017 and $63,000 for each of the years ended December 31, 2016 and 2015.

15. Selected Quarterly Financial Information (unaudited, in thousands, except per share amounts)

Year ended December 31, 2017 [1]	Quarter Ended March 31,	Quarter Ended June 30,	Quarter Ended September 30,	Quarter Ended December 31,
Operating loss	$ (2,063)	$ (1,922)	$ (2,015)	$ (1,935)
Loss from continuing operations before income taxes and equity in net income of affiliates	(2,286)	(2,557)	(2,283)	(1,644)
Equity in net income of affiliates [2]	139,714	—	43,372	33,261
Income (loss) from continuing operations [3,4]	71,364	(2,177)	24,537	40,745
Loss from discontinued operations, net of tax	(5)	—	—	—
Net income (loss)	71,359	(2,177)	24,537	40,745
Net income (loss) per share:				
Basic				
Income (loss) from continuing operations	$ 2.31	$ (0.07)	$ 0.79	$ 1.32
Loss from discontinued operations, net of tax	—	—	—	—
Net income (loss)	$ 2.31	$ (0.07)	$ 0.79	$ 1.32
Diluted				
Income (loss) from continuing operations	$ 2.30	$ (0.07)	$ 0.77	$ 1.31
Loss from discontinued operations, net of tax	—	—	—	—
Net income (loss)	$ 2.30	$ (0.07)	$ 0.77	$ 1.31

Year ended December 31, 2016 [1]	Quarter Ended March 31,	Quarter Ended June 30,	Quarter Ended September 30,	Quarter Ended December 31,
Operating loss	$ (1,517)	$ (1,674)	$ (1,709)	$ (1,826)
Loss from continuing operations before income taxes and equity in net income (loss) of affiliates	(2,000)	(2,223)	(1,858)	(1,920)
Equity in net income (loss) of affiliates [2]	46,494	43,357	6,948	(12,721)
Income (loss) from continuing operations [3,4]	30,819	32,654	(3,821)	(12,082)
Loss from discontinued operations, net of tax	(133)	(102)	(71)	(64)
Net income (loss)	30,686	32,552	(3,892)	(12,146)
Net income (loss) per share:				
Basic				
Income (loss) from continuing operations	$ 1.00	$ 1.06	$ (0.12)	$ (0.39)
Loss from discontinued operations, net of tax	—	—	—	—
Net income (loss)	$ 1.00	$ 1.06	$ (0.12)	$ (0.39)
Diluted				
Income (loss) from continuing operations	$ 0.95	$ 1.03	$ (0.12)	$ (0.39)
Loss from discontinued operations, net of tax	—	—	—	—
Net income (loss)	$ 0.95	$ 1.03	$ (0.12)	$ (0.39)

(1) The quarterly earnings per share information is computed separately for each period. Therefore, the sum of such quarterly per share amounts may differ from the total for the year.

(2) For the three months ended March 31, 2017, our share of equity in net income of Telesat was $35.9 million, including a $1.6 million elimination of affiliate transactions and related amortization. In the first quarter of 2017, we received a $242.7 million cash distribution from Telesat which exceeded our initial investment and our share of cumulative equity in comprehensive income of Telesat by $103.8 million. In the first quarter of 2017, we recognized equity in net income of affiliates of $139.7 million, including the excess cash distribution of $103.8 million.

For the three months ended June 30, 2017, our share of equity in net income of Telesat was $64.8 million, including a $1.7 million elimination of affiliate transactions and related amortization. We did not recognize this equity income, and instead reduced by $64.8 million the excess equity income of $103.8 million recognized during the three months ended March 31, 2017.

For the three months ended September 30, 2017, our share of equity in net income of Telesat was $82.4 million, including a $0.8 million elimination of affiliate transactions and related amortization. We reduced our share of equity in net income of Telesat of $82.4 million by the remaining excess equity income of $39.0 million, resulting in the recognition of equity in net income of affiliates of $43.4 million.

Amounts include equity in net income of affiliates of $5.1 million for the quarter ended June 30, 2016 that should have been recognized in prior periods. Equity in net income of affiliates for the quarter ended March 31, 2016 does not include a loss of $2.1 million that was recognized in the quarter ended June 30, 2016. These adjustments, which related to our investment in Telesat, consisted primarily of foreign exchange gains and losses. The Company has not revised previously reported amounts based on its belief that the effect of such adjustments is not material to the quarterly financial statements taken as a whole.

(3) During the fourth quarter of 2017, we recorded additional tax benefits of approximately $37.2 million after having completed our tax study to determine the allowable amount of FTC benefit related to the distribution received from Telesat earlier in 2017 and approximately $16.9 million from fourth quarter expiration of the statute of limitations for the assessment of additional tax with regard to several of our state UTPs. These tax benefits were partially offset by an additional fourth quarter charge of $33.2 million related to the tax rate reduction from the Tax Cuts and Jobs Act.

(4) Variations in income from continuing operations among quarters in 2017 and 2016 are primarily the result of (i) the effect of changes in foreign exchange rates between the Canadian dollar and the U.S. dollar on our equity in net income or loss of Telesat and (ii) the limitation on recording our portion of Telesat's net income or loss due to the reduction of the carrying amount of our investment in Telesat to zero.

LORAL SPACE & COMMUNICATIONS INC.
VALUATION AND QUALIFYING ACCOUNTS
For the Year Ended December 31, 2017, 2016 and 2015
(In thousands)

Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Additions: Charged to Other Accounts (1)	Balance at End of Period
Year ended 2015				
Allowance for affiliate receivables	$ 6,692	$ —	$ —	$ 6,692
Deferred tax valuation allowance	$ 7,905	$ 307	$ —	$ 8,212
Year ended 2016				
Allowance for affiliate receivables	$ 6,692	$ —	$ —	$ 6,692
Deferred tax valuation allowance	$ 8,212	$ (4,565)	$ —	$ 3,647
Year ended 2017				
Allowance for affiliate receivables	$ 6,692	$ —	$ —	$ 6,692
Deferred tax valuation allowance	$ 3,647	$ 120,389	$ —	$ 124,036

(1) Changes in the deferred tax valuation allowance which have been charged to other accounts have been recorded in other comprehensive loss.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Telesat Canada
(Formerly Telesat Holdings Inc.)

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Telesat Canada and subsidiaries (the "Company") as of December 31, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRSs).

Change in Accounting Principle
As discussed in Note 3 to the financial statements, the Company has changed its disclosure of the cause of the changes in liabilities arising from financing activities in the period ended December 31, 2017 due to adoption of the amendment to IAS 7, statement of Cash Flows.

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. Further we are required, to be independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and to fulfill our other ethical responsibilities in accordance with these requirements.

We conducted our audits in accordance with the standards of the PCAOB and Canadian generally accepted auditing standards. 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.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
February 28, 2018

We have served as the Company's auditor since 1993.

Telesat Canada
(Formerly Telesat Holdings Inc.)
Consolidated Statements of Income (Loss)
For the years ended December 31

(in thousands of Canadian dollars)	Notes	2017	2016	2015
Revenue	6	$ 927,407	$ 930,854	$ 954,907
Operating expenses	7	(187,687)	(174,923)	(184,279)
		739,720	755,931	770,628
Depreciation		(221,058)	(224,773)	(207,835)
Amortization		(26,330)	(27,690)	(27,902)
Other operating gains (losses), net	8	5,902	(2,565)	(30)
Operating income		498,234	500,903	534,861
Interest expense	9	(200,144)	(198,815)	(183,297)
Loss on refinancing	24	—	(31,850)	—
Interest and other income		3,004	6,078	4,661
Gain on changes in fair value of financial instruments		60,306	7,877	6,035
Gain (loss) on foreign exchange		223,898	92,613	(540,470)
Income (loss) before tax		585,298	376,806	(178,210)
Tax expense	10	(80,245)	(83,906)	(88,729)
Net income (loss)		$ 505,053	$ 292,900	$ (266,939)

See accompanying notes to the consolidated financial statements

Telesat Canada
(Formerly Telesat Holdings Inc.)
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31

(in thousands of Canadian dollars)	Notes	2017	2016	2015
Net income (loss)		$ 505,053	$ 292,900	$ (266,939)
Other comprehensive (loss) income				
Items that may be reclassified into profit or loss				
Foreign currency translation adjustments		(48,563)	(1,765)	44,740
Items that will not be reclassified into profit or loss				
Actuarial (losses) gains on employee benefit plans	29	(5,171)	5,100	5,225
Tax recovery (expense)		673	(1,424)	(1,425)
Other comprehensive (loss) income		(53,061)	1,911	48,540
Total comprehensive income (loss)		$ 451,992	$ 294,811	$ (218,399)

See accompanying notes to the consolidated financial statements

Telesat Canada
(Formerly Telesat Holdings Inc.)
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, 2015		$ 340,602	$ 316,272	$ 656,874	$ 451,628	$ 26,896	$ (4,230)	$ 22,666	$ 1,131,168
Net loss		—	—	—	(266,939)	—	—	—	(266,939)
Dividends declared on preferred shares	25	—	—	—	(10)	—	—	—	(10)
Other comprehensive income, net of tax expense of $1,425		—	—	—	3,800	—	44,740	44,740	48,540
Share-based compensation		—	—	—	—	5,369	—	5,369	5,369
Balance as at December 31, 2015		$ 340,602	$ 316,272	$ 656,874	$ 188,479	$ 32,265	$ 40,510	$ 72,775	$ 918,128
Balance as at January 1, 2016		$ 340,602	$ 316,272	$ 656,874	$ 188,479	$ 32,265	$ 40,510	$ 72,775	$ 918,128
Net income		—	—	—	292,900	—	—	—	292,900
Dividends declared on preferred shares	25	—	—	—	(10)	—	—	—	(10)
Repurchase of stock options	28	—	—	—	(15,913)	(8,745)	—	(8,745)	(24,658)
Issuance of share capital	25	—	1,861	1,861	(1,269)	(592)	—	(592)	—
Other comprehensive income (loss), net of tax expense of $1,424		—	—	—	3,676	—	(1,765)	(1,765)	1,911
Share-based compensation		—	—	—	—	5,770	—	5,770	5,770
Balance as at December 31, 2016		$ 340,602	$ 318,133	$ 658,735	$ 467,863	$ 28,698	$ 38,745	$ 67,443	$ 1,194,041
Balance as at January 1, 2017		$ 340,602	$ 318,133	$ 658,735	$ 467,863	$ 28,698	$ 38,745	$ 67,443	$ 1,194,041
Net income		—	—	—	505,053	—	—	—	505,053
Dividends declared on preferred shares	25	—	—	—	(10)	—	—	—	(10)
Return of capital	25	(314,022)	(192,113)	(506,135)	—	—	—	—	(506,135)
Issuance of share capital on stock option exercise	25	—	82	82	—	(5)	—	(5)	77
Other comprehensive loss, net of tax recovery of $673		—	—	—	(4,498)	—	(48,563)	(48,563)	(53,061)
Share-based compensation		—	—	—	—	2,856	—	2,856	2,856
Balance as at December 31, 2017		$ 26,580	$ 126,102	$ 152,682	$ 968,408	$ 31,549	$ (9,818)	$ 21,731	$ 1,142,821

See accompanying notes to the consolidated financial statements

Telesat Canada
(Formerly Telesat Holdings Inc.)
Consolidated Balance Sheets

(in thousands of Canadian dollars)	Notes		December 31, 2017		December 31, 2016
Assets					
Cash and cash equivalents	30	$	479,045	$	782,406
Trade and other receivables	11		64,986		55,639
Other current financial assets	12		2,437		2,548
Prepaid expenses and other current assets	13		8,503		61,107
Total current assets			554,971		901,700
Satellites, property and other equipment	6, 16		1,791,847		1,915,411
Deferred tax assets	10		4,617		2,844
Other long-term financial assets	6, 14		83,531		35,687
Other long-term assets	6, 15		3,056		3,815
Intangible assets	6, 17		812,995		832,512
Goodwill	18		2,446,603		2,446,603
Total assets		$	5,697,620	$	6,138,572
Liabilities					
Trade and other payables	19	$	37,919	$	44,107
Other current financial liabilities	20		26,355		58,992
Other current liabilities	21		77,324		80,448
Current indebtedness	24		14,486		21,931
Total current liabilities			156,084		205,478
Long-term indebtedness	24		3,528,891		3,829,707
Deferred tax liabilities	10		445,114		471,233
Other long-term financial liabilities	22		58,831		81,252
Other long-term liabilities	23		365,879		356,861
Total liabilities			4,554,799		4,944,531
Shareholders' Equity					
Share capital	25		152,682		658,735
Accumulated earnings			968,408		467,863
Reserves			21,731		67,443
Total shareholders' equity			1,142,821		1,194,041
Total liabilities and shareholders' equity		$	5,697,620	$	6,138,572

See accompanying notes to the consolidated financial statements

Telesat Canada
(Formerly Telesat Holdings Inc.)
Consolidated Statements of Cash Flows
For the years ended December 31

(in thousands of Canadian dollars)	Notes	2017	2016	2015
Cash flows from operating activities				
Net income (loss)		$ 505,053	$ 292,900	$ (266,939)
Adjustments to reconcile net income (loss) to cash flows from operating activities				
Depreciation		221,058	224,773	207,835
Amortization		26,330	27,690	27,902
Tax expense	10	80,245	83,906	88,729
Interest expense	9	200,144	198,815	183,297
Interest income		(6,024)	(6,700)	(4,543)
(Gain) loss on foreign exchange		(223,898)	(92,613)	540,470
Gain on changes in fair value of financial instruments		(60,306)	(7,877)	(6,035)
Share-based compensation	28	2,856	5,770	5,369
Loss on disposal of assets	8	269	2,565	30
Loss on refinancing	24	—	31,850	—
Other		(49,040)	(36,966)	(40,164)
Income taxes paid, net of income taxes received	30	(62,991)	(120,472)	(155,023)
Interest paid, net of capitalized interest and interest received	30	(195,248)	(152,261)	(161,914)
Repurchase of stock options	28	—	(24,658)	—
Operating assets and liabilities	30	48,252	100,637	3,348
Net cash from operating activities		486,700	527,359	422,362
Cash flows used in investing activities				
Satellite programs, including capitalized interest		(135,986)	(236,834)	(183,415)
Purchase of property and other equipment		(10,616)	(6,977)	(10,445)
Purchase of intangible assets		(18,011)	(42,285)	(5)
Net cash used in investing activities		(164,613)	(286,096)	(193,865)
Cash flows used in financing activities				
Repayment of indebtedness		(31,620)	(4,008,356)	(73,864)
Proceeds from indebtedness		—	3,935,576	—
Payment of debt issue costs		(42,867)	(58,141)	—
Return of capital to shareholders		(506,135)	—	—
Capital lease payments		(30)	(30)	—
Satellite performance incentive payments		(8,436)	(8,934)	(6,702)
Settlement of derivatives		207	130	—
Proceeds from exercise of stock options		77	—	—
Dividends paid on preferred shares		(10)	(10)	(10)
Net cash used in financing activities		(588,814)	(139,765)	(80,576)
Effect of changes in exchange rates on cash and cash equivalents		(36,634)	(9,818)	45,449
(Decrease) increase in cash and cash equivalents		(303,361)	91,680	193,370
Cash and cash equivalents, beginning of year		782,406	690,726	497,356
Cash and cash equivalents, end of year	30	$ 479,045	$ 782,406	$ 690,726

See accompanying notes to the consolidated financial statements

1. BACKGROUND OF THE COMPANY

On January 1, 2017, Telesat Holdings Inc. completed a corporate reorganization, of companies under common control, pursuant to which Telesat Holdings Inc. amalgamated with Telesat Interco Inc. and immediately thereafter the newly amalgamated company amalgamated with Telesat Canada. The continuing entity, existing under the laws of Canada, is named Telesat Canada. The reorganization has been accounted for as a continuation of Telesat Holdings Inc.

Telesat Canada (the “Company” or “Telesat”) is a Canadian corporation. Telesat is a leading global satellite operator providing reliable and secure satellite-delivered communication solutions worldwide to broadcast, telecom, corporate and government customers. Headquartered in Ottawa, Canada, the Company’s state-of-the-art fleet consists of 15 satellites, the Canadian payload on ViaSat-1, and two new geostationary satellites under construction. An additional satellite has recently been launched into low earth orbit (“LEO”) as part of Telesat’s plans to deploy an advanced, global LEO constellation.

As at December 31, 2017, 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 February 28, 2018, 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 4 were consistently applied to all the years presented.

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.

3. CHANGES IN ACCOUNTING POLICIES

IAS 7, Statement of Cash Flows

The Company adopted the amendment to IAS 7, *Statement of Cash Flows* , with a date of initial adoption of January 1, 2017.

This amendment requires disclosure of the cause of the changes in liabilities arising from financing activities. The incremental disclosure has been added within Note 30.

4. 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 industry 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.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Revenue Recognition

Telesat recognizes revenue from satellite services when earned, as services are rendered or delivered to customers. Revenue is measured at the fair value of the consideration received or receivable. There must be clear evidence that an arrangement exists, the amount of revenue must be known or determinable and collectability must be reasonably assured.

Revenue from a contract to sell consulting services is recognized as follows:

- Consulting revenue for cost plus contracts is recognized after the work has been completed and accepted by the customer.
- The percentage of completion method is used for fixed price consulting revenue contracts. Percentage of completion is measured by comparing actual cost incurred to total cost expected.

Equipment sales revenue is recognized when 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 deliverable based on its relative fair value; otherwise, revenue is recognized as products are delivered or as services are provided over the term of the customer contract. 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 other long-term liabilities. Deferred revenue consists of remuneration received in advance of the provision of service and in the majority of instances 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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, 2017.

	Years
Satellites	12 to 15
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 gains (losses), 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 gains (losses), 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.

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 at each reporting period.

An 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. If it is not practicable 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.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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 gains (losses), 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.

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, 2017.

	Years
Revenue backlog	12 to 17
Customer relationships	6 to 21
Customer contracts	5 to 15
Concession rights	2 to 15
Transponder rights	17
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. Indefinite life intangibles have not been allocated to any CGU and are tested for impairment at the asset level.

Goodwill and indefinite life intangible assets are also assessed for indicators of impairment at each reporting period.

An 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 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 upon the valuation approach being utilized.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Orbital Slots

In performing the orbital slot impairment analysis, the Company determines, for each orbital slot, 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:

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 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 either a market or income approach. Under a market approach, the Company measures what an independent third party would pay to purchase the orbital slot 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 asset. 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 inflows are discounted at an appropriate discount rate.

Goodwill

In performing the 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.

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 impairment testing, the fair value of the trade name is determined using an income approach, specifically the relief from royalties method.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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 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.

Financial Instruments

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 gain on changes in fair value of financial instruments.

Financial assets and financial liabilities that are classified as held-for-trading ("HFT") are measured at fair value. The unrealized gains and losses relating to HFT assets and liabilities are recorded in the consolidated statement of income (loss) in the gain on changes in fair value of financial instruments. Loans and receivables and other liabilities are recorded at amortized cost in accordance with the effective interest method.

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 other financial instruments 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 financial instruments classified as HFT are expensed as incurred. Transaction costs that are directly attributable to the acquisition of the financial assets and financial liabilities (other than HFT) are added or deducted from the fair value of the financial asset and financial liability on initial recognition.

Financing Costs

The debt issuance costs related to the Senior Secured Credit Facility and the Senior 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.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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.

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 the Canadian Institute of Actuaries in an Educational note dated September 2011 and as adjusted by the Update on the Accounting Discount Rate Assumption for Pension and Post-employment Benefit Plans published in November 2016 by the Canadian Institute of Actuaries. 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 2017 was determined based on membership data as at December 31, 2015. The accrued benefit obligation as at December 31, 2017 was determined based on the membership data as at December 31, 2016, and extrapolated one year based on December 31, 2017 assumptions. For certain Canadian post-retirement benefits, the expense and accrued benefit obligations for 2017 was based on membership and eligibility data as at September 30, 2016. For certain American post-retirement benefits, the expense for 2017 was based on membership and eligibility data as at January 1, 2017. The accrued benefit obligation for certain American post-retirement benefits as at December 31, 2017 was determined based on membership data as at January 1, 2017, and extrapolated, based on December 31, 2017 assumptions. The most recent valuation of the pension plans for funding purposes was as of December 31, 2016. Valuations will be performed for both pension plans as of December 31, 2017.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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.

Share-Based Compensation Plans

The Company offers an 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.

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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

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.

Revenue

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued by the IASB in May 2014, and will replace IAS 18, *Revenue* , IAS 11, *Construction Contracts* , and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current revenue standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard which is effective for annual periods beginning on or after January 1, 2018. The Company has elected to use a modified retrospective approach when adopting this standard.

Based on the evaluations to date, the Company has identified the following areas that will be affected:

- A material amount will be required to be recognized relating to the promised amount of consideration for effects of the time value of money for prepayment on less than ten contracts with a significant financing component. Telesat anticipates that this will result in an increase to deferred revenue, a decrease to deferred tax liabilities and a decrease to accumulated earnings on January 1, 2018. Going forward, this change will result in a higher amount of annual revenue being recognized and a higher amount of interest expense being recorded and an immaterial impact on net income.

- Based upon the analysis performed, for certain contracts it appears that Telesat would be considered as an agent in the arrangement as opposed to the principal. This will result in a reclassification between revenue and operating expenses, which will decrease both revenue and operating expenses in future years. There is no impact on net income as a result of this change.

- Additional disclosures will be required as a result of the new standard.

The Company has not yet finalized the quantification of the above noted impacts of this adoption as it continues to evaluate the impact of IFRS 15 and emerging guidance.

Financial instruments

IFRS 9, *Financial Instruments* ("IFRS 9") was issued by the IASB in July 2014, and will replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Impairments of financial assets are determined using a single impairment model that requires entities to recognize expected credit losses without requiring a triggering event to occur. Financial liabilities 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). Financial liabilities that are held-for-trading are measured at FVTPL, financial liabilities that are considered available for sale are measured at FVTOCI unless the FVTPL option is elected, while all other financial liabilities are measured at amortized cost unless the fair value option is elected. The treatment of embedded derivatives under the new standard is consistent with IAS 39.

This standard is effective for annual periods beginning on or after January 1, 2018. Based on the evaluations to date, the Company has identified the following area which will be affected:

- An amount will be required to be recognized relating to the repricing of the Term Loan B — U.S. Facility which reduced the applicable margin from 3.75% to 3.00% on February 1, 2017. Telesat estimates that the indebtedness will decrease, deferred tax liabilities will increase and accumulated earnings will increase as a result of IFRS 9 on January 1, 2018. Going forward, this change will result in immaterial higher annual interest expense being recorded.

The Company has not yet finalized the quantification of the above noted impacts of this adoption as it continues to evaluate the impact of the changes to IFRS 9 and emerging guidance.

4. SIGNIFICANT ACCOUNTING POLICIES – (continued)

Leases

IFRS 16, *Leases* ("IFRS 16") was issued by the IASB in January 2016, and will replace IAS 17, *Leases* and related interpretations on leases. IFRS 16 will require a lessee to recognize a right-of-use asset and lease liability for all leases with a term of more than 12 months. The standard will also require that the depreciation of the lease assets be recorded separately from the interest on the lease liabilities in the statement of income. For lessors, IFRS 16 substantially carries forward the requirements of IAS 17. IFRS 16 also aligns the definition of a lease with the control based approach in IFRS 15.

Companies can elect to use either a retrospective approach with a restatement of comparative information or a retrospective approach with the cumulative effect of initial application shown in retained earnings instead of the restatement of the comparative information. This standard is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

Share-based payments

In June 2016, amendments were issued by the IASB for IFRS 2, *Share-based Payments* . These amendments clarify the accounting treatment and disclosure requirements for certain types of share-based payment transactions, including cash settled share-based payment transactions, share-based payment transactions with a net settlement feature for withholding tax obligations, as well as modifications of share-based payment transactions from cash settled to equity settled. These amendments are effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate that the amendment to this standard will have a material impact on the consolidated financial statements.

Income taxes

IFRIC 23, *Uncertainty over Income Taxes Treatments* was issued by the IASB in June 2017. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. This interpretation is effective for annual reporting periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of this interpretation on its consolidated financial statements.

5. 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:

Revenue recognition

The Company's accounting policy relating to revenue recognition is described in Note 4. The percentage of completion method is used for fixed price consulting revenue contracts and requires judgment by management to accurately determine costs incurred and costs required to complete contracts.

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.

Determining whether an arrangement contains a lease

Management uses significant judgment in assessing whether each new arrangement contains a lease based on IFRIC 4. The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. If contracts contain a lease arrangement, the leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

5. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES – (continued)

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 $64.9 million and $5.5 million, respectively, as at December 31, 2017 (December 31, 2016 — $14.9 million and $14.7 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 gain 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, 2017 and 2016. Determining whether goodwill is impaired 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.

Impairment of intangible assets

Intangible assets represented $813.0 million of total assets as at December 31, 2017 (December 31, 2016 — $832.5 million). Impairment of intangible assets is tested annually or more frequently if indicators of impairment or reversal of a prior impairment loss exist. The impairment analysis requires 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.

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 substantially enacted tax laws, and its ability to utilize future tax deductions before they expire. Actual results could differ from expectations.

6. SEGMENT INFORMATION

Telesat operates in a single reportable industry 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,	**2017**	**2016**	**2015**
Broadcast	$ 472,751	$ 486,434	$ 492,633
Enterprise	430,343	420,138	434,555
Consulting and other	24,313	24,282	27,719
Revenue	$ 927,407	$ 930,854	$ 954,907

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,	**2017**	**2016**	**2015**
Canada	$ 415,575	$ 426,193	$ 431,005
United States	311,159	319,473	322,679
Europe, Middle East & Africa	80,532	64,624	84,877
Latin America & Caribbean	78,921	83,244	88,794
Asia & Australia	41,220	37,320	27,552
Revenue	$ 927,407	$ 930,854	$ 954,907

The Company's satellites are in geosynchronous orbit. 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,	**2017**	**2016**
Canada	$ 976,349	$ 1,152,337
Europe, Middle East & Africa	693,903	620,219
United States	118,512	139,064
All others	3,083	3,791
Satellites, property and other equipment	$ 1,791,847	$ 1,915,411

6. SEGMENT INFORMATION – (continued)

As at December 31,	2017	2016
Canada	$ 734,061	$ 744,150
United States	39,190	42,471
Latin America & Caribbean	30,510	35,736
All others	9,234	10,155
Intangible assets	$ 812,995	$ 832,512

Other long-term financial assets and other long-term assets by geographic regions were allocated as follows:

As at December 31,	2017	2016
Canada	$ 72,395	$ 25,176
Europe, Middle East & Africa	8,059	8,764
All others	3,077	1,747
Other long-term financial assets	$ 83,531	$ 35,687

As at December 31	2017	2016
Canada	$ 2,885	$ 3,372
Europe, Middle East & Africa	171	443
Other long-term assets	$ 3,056	$ 3,815

Goodwill was not allocated to geographic regions.

Major Customers

For the years ended December 31, 2017, 2016 and 2015, there were three significant customers each representing more than 10% of consolidated revenue.

7. OPERATING EXPENSES

Years ended December 31,	2017	2016	2015
Compensation and employee benefits (a)	$ 85,135	$ 71,841	$ 65,819
Other operating expenses (b)	42,895	39,359	41,947
Cost of sales (c)	59,657	63,723	76,513
Operating expenses	$ 187,687	$ 174,923	$ 184,279

(a) Compensation and employee benefits included salaries, bonuses, commissions, post-employment benefits and charges arising from share-based compensation. The balance for the year ended December 31, 2017 included $14.2 million of expenses associated with a special payment to stock option holders, including associated benefit expenses. There were no expenses for the special payment recognized in the year ended December 31, 2016 and 2015.

(b) Other operating expenses included general and administrative expenses, marketing expenses, in-orbit insurance expenses, professional fees and facility costs.

(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.

8. OTHER OPERATING GAINS (LOSSES), NET

Years ended December 31,	**2017**	**2016**	**2015**
Insurance proceeds	$ 6,171	$ —	$ —
Loss on disposal of assets	(269)	(2,565)	(30)
Other operating gains (losses), net	$ 5,902	$ (2,565)	$ (30)

9. INTEREST EXPENSE

Years ended December 31,	**2017**	**2016**	**2015**
Interest on indebtedness	$ 209,136	$ 195,523	$ 182,506
Interest on derivative instruments	3,071	2,303	3,721
Interest on satellite performance incentive payments	4,750	5,548	4,362
Interest on employee benefit plans (Note 29)	1,511	1,733	1,976
Capitalized interest (Note 16)	(18,324)	(6,292)	(9,268)
Interest expense	$ 200,144	$ 198,815	$ 183,297

10. INCOME TAXES

Years ended December 31,	**2017**	**2016**	**2015**
Current tax expense	$ 111,510	$ 75,634	$ 111,579
Deferred tax (recovery) expense	(31,265)	8,272	(22,850)
Tax expense	$ 80,245	$ 83,906	$ 88,729

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,	**2017**	**2016**	**2015**
Income (loss) before tax	$ 585,298	$ 376,806	$ (178,210)
Multiplied by the statutory income tax rates	26.60%	26.61%	26.53%
	155,689	100,268	(47,279)
Income tax recorded at rates different from the Canadian tax rate	309	(6,410)	1,887
Permanent differences	(46,383)	15,594	62,025
Effect on deferred tax balances due to changes in income tax rates	(2,120)	(140)	1,554
Effect of temporary differences not recognized as deferred tax assets	(25,789)	(27,286)	76,009
Previously unrecognized tax losses and credits	—	—	(4,392)
Other	(1,461)	1,880	(1,075)
Tax expense	$ 80,245	$ 83,906	$ 88,729
Effective income tax rate	13.71%	22.27%	(49.79)%

10. 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,	2017	2016
Deferred tax assets		
Foreign tax credits	$ 8,639	$ 11,447
Minimum tax credits	—	1,462
Financing charges	17,013	9,349
Deferred revenue	1,879	—
Loss carry forwards	52,911	23,873
Employee benefits	10,430	10,084
Other	13	250
Total deferred tax assets	$ 90,885	$ 56,465
Deferred tax liabilities		
Capital assets	$ (244,569)	$ (271,442)
Intangibles	(241,731)	(238,908)
Finance charges	(17,889)	(9,943)
Unrealized foreign exchange gains	(27,193)	(2,327)
Deferred revenue	—	(2,234)
Total deferred tax liabilities	$ (531,382)	$ (524,854)
Deferred tax liabilities, net	$ (440,497)	$ (468,389)

Deferred tax assets of $4.6 million (December 31, 2016 — $2.8 million) on the balance sheet relate to the Brazil and United Kingdom tax jurisdictions.

Losses and tax credits

Foreign tax credit

The Company has $9.4 million of foreign tax credits which may only be used to offset taxes payable. The deferred tax assets not recognized in respect of these credits was $0.8 million. These credits will begin to expire in 2018.

Loss carry forwards

The Company has Canadian capital losses carried forward of $647.4 million, with no expiration date. Of this total, $208.9 million are considered more likely than not to be realized, resulting in a recognized deferred tax asset of $27.8 million.

The Company has tax losses carried forward of $2.6 million in Brazil. The Company also has tax losses in the United Kingdom of $142.5 million, principally related to accelerated asset depreciation that can be carried forward indefinitely.

Investments in subsidiaries

As at December 31, 2017, the Company had temporary differences of $1.7 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.

11. TRADE AND OTHER RECEIVABLES

As at December 31,	2017	2016
Trade receivables	$ 61,177	$ 51,480
Trade receivables due from related parties (Note 33)	82	77
Less: Allowance for doubtful accounts	(2,662)	(3,514)
Net trade receivables	58,597	48,043
Other receivables	6,389	7,847
Other receivables due from related parties (Note 33)	—	(251)
Trade and other receivables	$ 64,986	$ 55,639

Allowance for doubtful accounts

The movement in the allowance for doubtful accounts was as follows:

Years ended December 31,	2017	2016
Allowance for doubtful accounts, beginning of year	$ 3,514	$ 3,779
(Reversals) provisions for impaired receivables	(110)	201
Receivables written off	(586)	(628)
Impact of foreign exchange	(156)	162
Allowance for doubtful accounts, end of year	$ 2,662	$ 3,514

12. OTHER CURRENT FINANCIAL ASSETS

As at December 31,	2017	2016
Security deposits	$ 2,275	$ 2,548
Derivative assets (Note 27)	162	—
Other current financial assets	$ 2,437	$ 2,548

13. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As at December 31,	2017	2016
Prepaid expenses (a)	$ 3,848	$ 4,534
Income tax recoverable	945	51,799
Inventory (b)	2,998	3,917
Deferred charges (c)	543	603
Other	169	254
Prepaid expenses and other current assets	$ 8,503	$ 61,107

(a) Prepaid expenses were primarily comprised of prepaid satellite in-orbit insurance, prepaid general liability insurance and prepaid license fees.

(b) As at December 31, 2017, inventory consisted of $2.3 million of finished goods (December 31, 2016 — $3.3 million) and $0.7 million of work in process (December 31, 2016 — $0.6 million). During the year, $11.7 million was recognized as cost of equipment sales and recorded as an operating expense (December 31, 2016 — $9.8 million, December 31, 2015 — $13.1 million).

(c) Deferred charges included deferred financing charges relating to the Revolving Credit Facility.

14. OTHER LONG-TERM FINANCIAL ASSETS

As at December 31,	2017	2016
Long-term receivables	$ 12,898	$ 14,453
Security deposits	5,910	6,303
Derivative assets (Note 27)	64,723	14,931
Other long-term financial assets	$ 83,531	$ 35,687

15. OTHER LONG-TERM ASSETS

As at December 31,	2017	2016
Prepaid expenses	$ 245	$ 645
Deferred charges	1,153	1,512
Income tax recoverable	1,356	1,356
Other	302	302
Other long-term assets	$ 3,056	$ 3,815

16. SATELLITES, PROPERTY AND OTHER EQUIPMENT

	Satellites	Property and other equipment	Assets under construction	Total
Cost as at January 1, 2016	$ 3,213,581	$ 233,675	$ 48,057	$ 3,495,313
Additions	—	1,736	227,222	228,958
Disposals/retirements	—	(12,100)	—	(12,100)
Reclassifications and transfers from assets under construction	—	6,130	(6,130)	—
Impact of foreign exchange	(10,478)	(233)	1,619	(9,092)
Cost as at December 31, 2016 and January 1, 2017	3,203,103	229,208	270,768	3,703,079
Additions	—	3,270	139,212	142,482
Disposals/retirements	—	(2,982)	—	(2,982)
Reclassifications and transfers from assets under construction	—	11,816	(11,816)	—
Impact of foreign exchange	(22,925)	(2,092)	(21,199)	(46,216)
Cost as at December 31, 2017	$ 3,180,178	239,220	376,965	3,796,363
Accumulated depreciation and impairment as at January 1, 2016	$ (1,438,995)	$ (131,053)	$ —	$ (1,570,048)
Depreciation	(209,804)	(14,969)	—	(224,773)
Disposals/retirements	—	9,535	—	9,535
Impact of foreign exchange	(2,522)	140	—	(2,382)
Accumulated depreciation and impairment as at December 31, 2016 and January 1, 2017	(1,651,321)	(136,347)	—	(1,787,668)
Depreciation	(206,439)	(14,619)	—	(221,058)
Disposals/retirements	—	2,564	—	2,564
Impact of foreign exchange	568	1,078	—	1,646
Accumulated depreciation and impairment as at December 31, 2017	$ (1,857,192)	$ (147,324)	$ —	$ (2,004,516)
Net carrying values				
As at December 31, 2016	$ 1,551,782	$ 92,861	$ 270,768	$ 1,915,411
As at December 31, 2017	$ 1,322,986	$ 91,896	$ 376,965	$ 1,791,847

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 as at December 31, 2017 and 2016 (Note 24).

16. SATELLITES, PROPERTY AND OTHER EQUIPMENT – (continued)

Borrowing costs

Borrowing costs of $18.3 million were capitalized for the year ended December 31, 2017 (December 31, 2016 — $6.3 million, December 31, 2015 — $9.3 million). The average capitalization rate was 5% (5% in 2016 and 2015), representing the Company's weighted average cost of debt. Of the total capitalized borrowing costs, $1.2 million was capitalized to intangible assets for the year ended December 31, 2017 (December 31, 2016 — $0.3 million, December 31, 2015- $nil) with the remaining balance capitalized to satellites, property and other equipment.

Impairment

No impairment was recognized for the years ended December 31, 2017, 2016 and 2015.

Joint arrangements

Telesat International Limited ("TIL") and APT entered into agreements relating to the Telstar 18 VANTAGE satellite currently under construction, 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.

17. 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 intangibles
Cost as at January 1, 2016	$ 610,611	$ 17,000	$ —	$ 627,611
Additions	—	—	13,161	13,161
Disposals/retirements	—	—	—	—
Impact of foreign exchange	(1,214)	—	—	(1,214)
Cost as at December 31, 2016 and January 1, 2017	609,397	17,000	13,161	639,558
Additions	—	—	12,577	12,577
Disposals/retirements	—	—	—	—
Impact of foreign exchange	(2,654)	—	—	(2,654)
Cost as at December 31, 2017	$ 606,743	$ 17,000	$ 25,738	$ 649,481
Accumulated impairment as at January 1, 2016	$ (1,100)	$ —	$ —	$ (1,100)
Impairment	—	—	—	—
Accumulated impairment as at December 31, 2016 and January 1, 2017	(1,100)	—	—	(1,100)
Impairment	—	—	—	—
Accumulated impairment as at December 31, 2017	$ (1,100)	$ —	$ —	$ (1,100)
Net carrying values				
As at December 31, 2016	$ 608,297	$ 17,000	$ 13,161	$ 638,458
As at December 31, 2017	$ 605,643	$ 17,000	$ 25,738	$ 648,381

17. 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 intangibles
Cost as at January 1, 2016	$ 245,989	$ 198,807	$ 23,142	$ 16,718	$ 1,154	$ 59	$ 485,869
Additions	—	—	—	—	31,479	—	31,479
Disposals/retirements	(9,974)	—	—	—	—	—	(9,974)
Impact of foreign exchange	(119)	(155)	—	—	5,942	—	5,668
Cost as at December 31, 2016 and January 1, 2017	235,896	198,652	23,142	16,718	38,575	59	513,042
Additions	—	—	—	—	155	—	155
Disposals/retirements	—	(1)	—	—	—	—	(1)
Impact of foreign exchange	(261)	(337)	—	—	(3,140)	—	(3,738)
Cost as at December 31, 2017	$ 235,635	$ 198,314	$ 23,142	$ 16,718	$ 35,590	$ 59	$ 509,458
Accumulated amortization and impairment as at January 1, 2016	$ (190,346)	$ (97,422)	$ (3,615)	$ (9,093)	$ (480)	$ (27)	$ (300,983)
Amortization	(10,647)	(11,437)	(2,720)	(924)	(1,959)	(3)	(27,690)
Disposals/retirements	9,974	—	—	—	—	—	9,974
Impact of foreign exchange	102	9	—	—	(400)	—	(289)
Accumulated amortization and impairment as at December 31, 2016 and January 1, 2017	(190,917)	(108,850)	(6,335)	(10,017)	(2,839)	(30)	(318,988)
Amortization	(8,749)	(11,434)	(2,890)	(925)	(2,329)	(3)	(26,330)
Disposals/retirements	—	1	—	—	—	—	1
Impact of foreign exchange	243	141	—	—	89	—	473
Accumulated amortization and impairment as at December 31, 2017	$ (199,423)	$ (120,142)	$ (9,225)	$ (10,942)	$ (5,079)	$ (33)	$ (344,844)
Net carrying values							
As at December 31, 2016	$ 44,979	$ 89,802	$ 16,807	$ 6,701	$ 35,736	$ 29	$ 194,054
As at December 31, 2017	$ 36,212	$ 78,172	$ 13,917	$ 5,776	$ 30,511	$ 26	$ 164,614

17. INTANGIBLE ASSETS – (continued)

The total combined indefinite and finite life intangible assets are summarized below.

	As at December 31, 2017			As at December 31, 2016		
	Cost	Accumulated amortization and impairment	Net carrying value	Cost	Accumulated amortization and impairment	Net carrying value
Indefinite life intangibles	$ 649,481	$ (1,100)	$ 648,381	$ 639,558	$ (1,100)	$ 638,458
Finite life intangibles	509,458	(344,844)	164,614	513,042	(318,988)	194,054
Total intangibles	$ 1,158,939	$ (345,944)	$ 812,995	$ 1,152,600	$ (320,088)	$ 832,512

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 LEO 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	2 to 7
Customer relationships	1 to 11
Customer contracts	3 to 9
Transponder rights	7
Concession rights	1 to 13
Patent	8

All of the Company's intangible assets have been pledged as security as a requirement of the Company's Senior Secured Credit Facilities as at December 31, 2017 and 2016 (Note 24).

Impairment

Finite life intangible assets are assessed for impairment at the Company's CGU level. Indefinite life intangible assets are tested for impairment at the individual asset level. The annual impairment tests for these assets were performed in the fourth quarters of 2017, 2016 and 2015 in accordance with the policy described in Note 4.

No impairment loss was recognized in the years ended December 31, 2017, 2016 and 2015.

The recoverable amount, for indefinite life intangible assets valued using the income approach, which is equal to the fair value less costs of disposal, was calculated using the following assumptions:

	2017	2016	2015
Discount rate	10.00%	10.25% to 10.75%	10.00%

Some of the more sensitive assumptions used, 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.

18. 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 2017, 2016, and 2015 in accordance with the policy described in Note 4. The Company's recoverable amount exceeded the carrying value therefore, no impairment was recognized. The most significant assumptions used in the impairment test were as follows:

	2017	2016	2015
Discount rate	10.0%	10.75%	10.0%
Terminal year growth rate	2.0%	2.0%	2.5%

Some of the more sensitive assumptions used, including the forecasted cash flows and 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.

19. TRADE AND OTHER PAYABLES

As at December 31,	2017	2016
Trade payables	$ 2,659	$ 2,502
Other payables and accrued liabilities [(a)]	35,260	41,605
Trade and other payables	$ 37,919	$ 44,107

(a) Other payables and accrued liabilities included payables that are not trade in nature as well as various operating and capital accruals.

20. OTHER CURRENT FINANCIAL LIABILITIES

As at December 31,	2017	2016
Derivative liabilities (Note 27)	$ 1	$ 761
Security deposits	1,944	2,664
Satellite performance incentive payments	10,452	10,031
Interest payable [(a)]	8,929	28,235
Tax indemnification payable	—	10,973
Other	5,029	6,328
Other current financial liabilities	$ 26,355	$ 58,992

(a) Interest payable included interest payable on indebtedness, satellite performance incentive payments, and other current financial liabilities.

21. OTHER CURRENT LIABILITIES

As at December 31,	2017	2016
Deferred revenue	$ 66,449	$ 73,900
Decommissioning liabilities (Note 23)	1,205	114
Uncertain tax positions	1,315	1,315
Income taxes payable	4,121	2,135
Other	4,234	2,984
Other current liabilities	$ 77,324	$ 80,448

22. OTHER LONG-TERM FINANCIAL LIABILITIES

As at December 31,	2017	2016
Derivative liabilities (Note 27)	$ 5,527	$ 13,952
Security deposits	328	472
Satellite performance incentive payments	52,509	65,954
Other	467	874
Other long-term financial liabilities	$ 58,831	$ 81,252

23. OTHER LONG-TERM LIABILITIES

As at December 31,	2017	2016
Deferred revenue	$ 323,709	$ 317,907
Accrued benefit liabilities (Note 29)	40,065	36,718
Uncertain tax positions	175	175
Decommissioning liabilities [(a)]	1,590	1,669
Other	340	392
Other long-term liabilities	$ 365,879	$ 356,861

(a) The current and long-term decommissioning liabilities on property and equipment were $2.8 million (December 31, 2016 — $1.8 million). The decommissioning liabilities are for the restoration of leased buildings and teleports. During the years ended December 31, 2017 and 2016, $0.1 million was recorded as interest expense with no decommissioning liabilities derecognized. It is expected that the decommissioning liabilities will mature between 2018 and 2062.

24. INDEBTEDNESS

As at December 31,	2017	2016
Senior Secured Credit Facilities [(a)]		
Revolving Credit Facility	$ —	$ —
Term Loan B – U.S. Facility (December 31, 2017 – USD$2,399,686, December 31, 2016 – USD$2,423,925)	3,016,645	3,257,998
8.875% Senior Notes (USD$500,000) [(c)]	628,550	672,050
	3,645,195	3,930,048
Less: deferred financing costs, interest rate floors and prepayment options [(d)]	(101,818)	(78,410)
	3,543,377	3,851,638
Less: current indebtedness	(14,486)	(21,931)
Long-term indebtedness	$ 3,528,891	$ 3,829,707

On November 17, 2016, 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 USD$2,430.0 million and revolving credit borrowings of up to USD$200.0 million (or Canadian dollar equivalent). 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, 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. The maximum total leverage ratio is 4.50:1.00.

On November 17, 2016, Telesat Canada issued, through a private placement, USD$500 million of 8.875% Senior Notes which mature on November 17, 2024. The 8.875% Senior Notes are subordinated to Telesat Canada's existing and future secured indebtedness, including obligations under its Senior Secured Credit Facilities, and are governed under the 8.875% Senior Notes Indenture.

With the net proceeds from the 8.875% Senior Notes offering and the Senior Secured Credit Facilities, along with available cash on hand, all outstanding amounts on the 6.0% Senior Notes and the former senior secured credit facilities were repaid on November 17, 2016. In addition, at this time, any unamortized balances of the deferred financing costs, interest rate floors, prepayment option and premiums were written off resulting in a net loss on refinancing of $31.9 million.

On February 1, 2017, Telesat amended its Senior Secured Credit Facilities. The amendment to the Senior Secured Credit Facilities reduced the applicable margin on the Term Loan B – U.S. Facility from 3.75% to 3.00%. Additional debt issue costs of $38.4 million were incurred in connection with this amendment.

24. INDEBTEDNESS – (continued)

(a) The Senior Secured Credit Facilities 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. As at December 31, 2017 and 2016, Telesat was in compliance with this covenant.

Each tranche of the Senior Secured Credit Facilities is subject to mandatory principal repayment requirements. Up to February 1, 2017, this repayment was equal to one quarter of 1% of the initial aggregate principal amount and is payable on a quarterly basis. As at February 1, 2017, the repayment is equal to one quarter of 1% of the value of the loan at the time of the amendment and is payable on a quarterly basis.

The Senior Secured Credit Facilities have several tranches which are described below:

(i) A Revolving Credit Facility ("Revolving Facility") of up to $200 million U.S. dollars (or Canadian dollar equivalent) is available to Telesat. This Revolving Facility matures on November 17, 2021 and 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 1.5% to 2.00% 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 2.50% to 3.00% 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 of 40 basis points. As at December 31, 2017, other than $0.2 million (December 31, 2016 – $0.1 million) in drawings related to letters of credit, there were no borrowings under this facility.

(ii) The U.S. TLB Facility is a USD$2,430 million facility maturing on November 17, 2023. The outstanding 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, but not less than 0.75%, plus an applicable margin of 3.00%; or (ii) Alternative Base Rate as determined in accordance with the terms of the Senior Secured Credit Facilities plus an applicable margin of 2.00%. The weighted average effective interest rate was 4.86% for the year ended December 31, 2017 (44-day period ended December 31, 2016 – 4.94%). On February 1, 2017, we amended the Senior Secured Credit Facilities to reduce the applicable margin to 3.00% from 3.75% on the then outstanding USD$2,424 million.

The former senior secured credit facilities, which was fully repaid on November 17, 2016, had several tranches which are described below:

(i) The former Revolving Facility was a borrowing facility of up to $140 million Canadian dollars (or U.S. dollars equivalent). The drawn loans bore interest at a floating rate plus an applicable margin of 2.00% for prime rate and ABR loans and 3.00% for BA and Eurodollar loans. Undrawn amounts under the facility were subject to a commitment fee of 50 basis points.

(ii) The Term Loan A Facility ("TLA Facility") was initially a $500 million facility. Loans under this facility bore interest at a floating rate of the BA plus an applicable margin of 3.00%.

(iii) The former U.S. TLB Facility was initially a USD$1,746 million facility. Borrowings under the U.S. TLB Facility bore interest at a floating rate of LIBOR, but not less than 0.75%, plus an applicable margin of 2.75%.

(iv) The Canadian TLB Facility was initially a $140 million facility. Borrowings under the Canadian TLB Facility bore interest at a floating rate of the BA borrowing, but not less than 1.00%, plus an applicable margin of 3.25%.

24. INDEBTEDNESS – (continued)

(b) The 6.0% Senior Notes bore interest at an annual rate of 6.0%. The total balance of the Senior Notes was USD$900 million, with USD$700 million issued in May 2012, and an additional USD$200 million issued in October 2012. The Senior Notes were repaid in full to the indenture trustee on November 17, 2016.

(c) The Senior Notes bear interest at an annual rate of 8.875% and are due November 17, 2024. The total balance of the Senior Notes is USD$500 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, 2017 was 8.80% (44-day period ended December 31, 2016 – 8.80%).

(d) The Senior Secured Credit Facilities and 8.875% Senior Notes included the following deferred financing costs, interest rate floor and prepayment option:

(i) The U.S. TLB Facility and 8.875% Senior Notes were presented on the balance sheet net of related deferred financing costs of $87.7 million as at December 31, 2017 (December 31, 2016 – $61.8 million). The deferred financing costs are amortized using the effective interest method.

(ii) The indenture agreement for the 8.875% 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 of the prepayment option related to the 8.875% Senior Notes was an $8.7 million increase to the indebtedness at their inception date. This liability is subsequently amortized using the effective interest method and had a carrying amount of $7.8 million as at December 31, 2017 (December 31, 2016 – $8.6 million).

(iii) The initial fair value impact, in November 2016, of the interest rate floor on the U.S. TLB Facility was a decrease to the indebtedness of $25.6 million. This asset is subsequently amortized using the effective interest method and had a carrying amount of $21.9 million as at December 31, 2017 (December 31, 2016 – $25.2 million).

The former senior secured credit facilities and 6.0% Senior Notes included the following deferred financing costs, interest rate floors, prepayment option and premiums:

(i) The TLA Facility, former U.S. TLB Facility, Canadian TLB Facility and 6% Senior Notes were presented on the balance sheet net of related deferred financing costs. Any unamortized deferred financing costs as at November 17, 2016, were written off against loss on refinancing upon repayment of the indebtedness.

(ii) The indenture agreement for the 6.0% Senior Notes contained provisions for certain prepayment options which were fair valued at the time of debt issuance. The fair value of the prepayment option related to the 6.0% Senior Notes was allocated to the indebtedness at their inception date. Any unamortized prepayment option as at November 17, 2016, were written off against loss on refinancing upon repayment of the indebtedness.

(iii) The initial fair value impact of the premiums on the 6.0% Senior Notes was an increase to the indebtedness of $7.0 million. This liability was subsequently amortized using the effective interest method. Any unamortized premiums as at November 17, 2016, were written off against loss on refinancing upon repayment of the indebtedness.

(iv) The initial fair value impact, in March 2012, of the interest rate floors on the former U.S. TLB Facility was a decrease to the indebtedness of $44.3 million. This asset was subsequently amortized using the effective interest method. Any unamortized interest rate floors as at November 17, 2016, were written off against loss on refinancing upon repayment of the indebtedness.

(v) The initial fair value impact, in March 2012, of the interest rate floors on the Canadian TLB Facility was a decrease to the indebtedness of $1.7 million. This asset was subsequently amortized using the effective interest method. Any unamortized interest rate floors as at November 17, 2016, were written off against loss on refinancing upon repayment of the indebtedness.

24. INDEBTEDNESS – (continued)

The short-term and long-term portions of deferred financing costs, interest rate floor and prepayment option were as follows:

As at December 31,	2017	2016
Short-term deferred financing costs	$ 13,435	$ 8,224
Long-term deferred financing costs	74,278	53,570
	$ 87,713	$ 61,794
Short-term interest rate floor	$ 3,413	$ 3,297
Long-term interest rate floor	18,483	21,900
	$ 21,896	$ 25,197
Short-term prepayment option	$ (863)	$ (790)
Long-term prepayment option	(6,928)	(7,791)
	$ (7,791)	$ (8,581)
Deferred financing costs, interest rate floor and prepayment option	$ 101,818	$ 78,410

The outstanding principal balance of indebtedness, excluding deferred financing costs, interest rate floor and prepayment option will be repaid as follows (in millions of Canadian dollars):

2018	2019	2020	2021	2022	Thereafter	Total
$ 30.5	$ 30.5	$ 30.5	$ 30.5	$ 30.5	$ 3,492.7	$ 3,645.2

25. SHARE CAPITAL

The number of shares and stated value of the outstanding shares were as follows:

	2017		2016	
As at December 31,	**Number of shares**	**Stated value**	**Number of shares**	**Stated value**
Common Shares	74,252,460	$ 26,580	74,252,460	$ 340,602
Voting Participating Preferred Shares	7,034,444	48,246	7,034,444	77,995
Non-Voting Participating Preferred Shares	38,391,823	77,846	38,384,823	240,128
Director Voting Preferred Shares	1,000	10	1,000	10
Share capital		$ 152,682		$ 658,735

In November 2017, 2016 and 2015, dividends were declared and paid on the Director Voting Preferred Shares.

In 2016, a former employee exercised 178,642 stock options, on a net settlement basis, in exchange for 129,400 Non-Voting Participating Preferred Shares with a stated value of $1.9 million.

In January 2017, the Board of Directors approved a cash distribution to shareholders, as a reduction of stated capital, in the amount of approximately $387.2 million U.S. dollars. These distributions were made during the first quarter of 2017.

In January 2017, 7,000 stock options granted under the Company's stock incentive plan were exercised for 7,000 Non-Voting Participating Preferred Shares in exchange for $0.1 million.

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, 2017 or 2016. The Company's share-based compensation plans have authorized the grant of up to 13,273,779 options to purchase Non-Voting Participating Preferred Shares (Note 28).

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.

25. SHARE CAPITAL – (continued)

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.

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.
- In the event of liquidation, wind-up or dissolution, the holders of Director Voting Preferred Shares are entitled to receive $10 per share in priority to the payment of dividends on the Common Shares, Voting Participating Preferred Shares,

25. SHARE CAPITAL – (continued)

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.

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 24), 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 2016.

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, prepayment option and interest rate floor as detailed in Note 24).

The Company's capital at the end of the year was as follows:

As at December 31,	2017	2016
Shareholders' equity (excluding reserves)	$ 1,121,090	$ 1,126,598
Debt financing (excluding deferred financing costs, prepayment option and interest rate floor)	$ 3,645,195	$ 3,930,048

If the Revolving Facility is drawn, the Senior Secured Credit Facilities require Telesat Canada to comply with a first lien net leverage ratio test. As at December 31, 2017, the first lien net leverage ratio was 3.74:1.00 (December 31, 2016 – 4.05:1.00), which was less than the maximum test ratio of 5.75:1.00.

The Company's operating results are tracked against budget on a monthly 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, 2017.

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, 2017, the maximum exposure to credit risk is equal to the carrying value of the financial assets which totaled $630.0 million (December 31, 2016 — $876.3 million).

27. FINANCIAL INSTRUMENTS – (continued)

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, 2017, North American and International customers made up 39% and 61% of the outstanding trade receivable balance, respectively (December 31, 2016 — 38% and 62%, respectively). Anticipated bad debt losses have been provided for in the allowance for doubtful accounts. The allowance for doubtful accounts as at December 31, 2017 was $2.7 million (December 31, 2016 — $3.5 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, 2017 and 2016, the entire indebtedness was denominated in U.S. dollars. The Canadian dollar equivalent of the U.S. dollar denominated indebtedness was $3,645.2 million and $3,930.0 million, respectively (before netting of deferred financing costs, interest rate floor and prepayment option).

In July 2016, Telesat entered into four forward foreign exchange contracts which require the Company to pay $7.0 million Canadian dollars to receive 4.2 million British Pounds Sterling. All forward foreign exchange contracts matured by October 31, 2017.

As at December 31, 2017, 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 (loss) by $162.0 million (December 31, 2016 — $163.5 million) and increased (decreased) other comprehensive income (loss) by $0.2 million (December 31, 2016 — $nil million). This analysis assumes that all other variables, in particular interest rates, remain constant.

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%. These contracts mature between September 2019 and September 2022. As at December 31, 2016, the Company had no outstanding interest rate swaps.

If the interest rates on the unhedged variable rate indebtedness change by 0.25%, excluding the potential impact of interest rate floors, the result would be an increase or decrease to net income (loss) of $6.5 million for the year ended December 31, 2017 (December 31, 2016 — $5.9 million).

27. FINANCIAL INSTRUMENTS – (continued)

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, 2017 were as follows:

	Carrying amount	Contractual cash flows (undiscounted)	2018	2019	2020	2021	2022	Thereafter
Trade and other payables	$ 37,919	$ 37,919	$ 37,919	$ —	$ —	$ —	$ —	$ —
Customer and other deposits	2,272	2,272	2,026	17	9	220	—	—
Satellite performance incentive payments	64,074	83,168	13,240	12,677	10,551	9,180	8,259	29,261
Other financial liabilities	5,527	5,599	4,798	458	343	—	—	—
Indebtedness [(1)]	3,652,980	4,861,554	230,933	229,012	227,945	225,986	223,650	3,724,028
	$ 3,762,772	$ 4,990,512	$ 288,916	$ 242,164	$ 238,848	$ 235,386	$ 231,909	$ 3,753,289

(1) Indebtedness excludes deferred financing costs, interest rate floor and prepayment option.

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	$ 1,113	$ 19,394
Other financial liabilities	$ 31	$ 103
Indebtedness	$ 7,785	$ 1,216,359

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, 2017	Loans and receivables	FVTPL	Other financial liabilities	Total	Fair value	Fair value hierarchy
Cash and cash equivalents	$ 479,045	$ —	$ —	$ 479,045	$ 479,045	Level 1
Trade and other receivables	64,986	—	—	64,986	64,986	(3)
Other current financial assets [1]	2,275	162	—	2,437	2,437	Level 1, Level 2
Other long-term financial assets [1]	18,808	64,723	—	83,531	83,531	Level 1, Level 2
Trade and other payables	—	—	(37,919)	(37,919)	(37,919)	(3)
Other current financial liabilities	—	(1)	(26,354)	(26,355)	(27,791)	Level 2
Other long-term financial liabilities	—	(5,527)	(53,304)	(58,831)	(59,648)	Level 2
Indebtedness [2]	—	—	(3,645,195)	(3,645,195)	(3,723,474)	Level 2
	$ 565,114	$ 59,357	$ (3,762,772)	$ (3,138,301)	$ (3,218,833)	

As at December 31, 2016	Loans and receivables	FVTPL	Other financial liabilities	Total	Fair value	Fair value hierarchy
Cash and cash equivalents	$ 782,406	$ —	$ —	$ 782,406	$ 782,406	Level 1
Trade and other receivables	55,639	—	—	55,639	55,639	(3)
Other current financial assets	2,548	—	—	2,548	2,548	Level 1
Other long-term financial assets [1]	20,756	14,931	—	35,687	35,687	Level 1, Level 2
Trade and other payables	—	—	(44,107)	(44,107)	(44,107)	(3)
Other current financial liabilities	—	(761)	(58,231)	(58,992)	(61,368)	Level 2
Other long-term financial liabilities	—	(13,952)	(67,300)	(81,252)	(82,781)	Level 2
Indebtedness [2]	—	—	(3,930,048)	(3,930,048)	(3,992,467)	Level 2
	$ 861,349	$ 218	$ (4,099,686)	$ (3,238,119)	$ (3,304,443)	

(1) Other current and 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, interest rate floor 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 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, 2017, cash and cash equivalents included $90.7 million (December 31, 2016 — $324.7 million) of short-term investments.

The fair value of the satellite performance incentive payments, included in other current and other long-term financial liabilities, was determined using a discounted cash flow methodology. The calculation is performed on a recurring basis. As at December 31, 2017, the discount rate used was 5.7% (December 31, 2016 — 5.5%).

The fair value of the indebtedness was based on transactions and quotations from third parties considering market interest rates and excluding deferred financing costs, interest rate floor and prepayment option. 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,	**2017**	**2016**
Senior Secured Credit Facilities		
Term Loan B – U.S. Facility	100.13%	101.00%
8.875% Senior Notes	111.83%	104.44%

27. FINANCIAL INSTRUMENTS – (continued)

Fair value of derivative financial instruments

Derivatives, with the exception of the forward foreign exchange contracts, 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.

Interest rate floor cash flows were calculated using the Black Scholes option valuation model in Bloomberg and discounted based on discount curves.

The discount rates used to discount cash flows as at December 31, 2017 ranged from 1.56% to 2.31% (December 31, 2016 — 0.77% to 2.15%).

The fair value of the forward foreign exchange contracts was calculated using the forward foreign exchange rates against British Pound Sterling for the same transactions at the valuation date. The forward foreign exchange rates as at December 31, 2016 ranged from 1.6501 to 1.6509. All forward foreign exchange contracts matured by October 2017.

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, 2017	Other current financial assets	Other long-term financial assets	Other current financial liabilities	Other long-term financial liabilities	Total
Interest rate floors	$ —	$ —	$ (1)	$ (5,527)	$ (5,528)
Interest rate swaps	162	18,945	—	—	19,107
Prepayment option	—	45,778	—	—	45,778
	$ 162	$ 64,723	$ (1)	$ (5,527)	$ 59,357

As at December 31, 2016	Other long-term financial assets	Other current financial liabilities	Other long-term financial liabilities	Total
Interest rate floors	$ —	$ (728)	$ (13,952)	$ (14,680)
Forward foreign exchange contracts	—	(33)	—	(33)
Prepayment option	14,931	—	—	14,931
	$ 14,931	$ (761)	$ (13,952)	$ 218

27. FINANCIAL INSTRUMENTS – (continued)

The reconciliation of the fair value of derivative assets and liabilities was as follows:

Fair value, December 31, 2015 and January 1, 2016	$ 8,822
Derivatives recognized at inception	
Interest rate floors	(25,581)
Prepayment option	8,671
Realized losses on derivatives	
Forward foreign exchange contract	(130)
Unrealized gains (losses) on derivatives	
Interest rate floors	18,781
Prepayment option	(13,108)
Interest rate swaps	2,237
Forward foreign exchange contracts	97
Impact of foreign exchange	429
Fair value, December 31, 2016 and January 1, 2017	218
Realized losses on derivatives	
Forward foreign exchange contract	(207)
Unrealized gains on derivatives	
Interest rate floors	7,861
Prepayment option	33,018
Interest rate swaps	19,394
Forward foreign exchange contracts	240
Impact of foreign exchange	(1,167)
Fair value, December 31, 2017	$ 59,357

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 13,273,779 options, 8,824,646 authorized in 2008, 4,036,729 authorized in 2013, 62,404 authorized in 2015 and an additional 350,000 authorized in 2017, to purchase Non-Voting Participating Preferred Shares of Telesat Canada, convertible into Common Shares.

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.

In August 2017, Telesat authorized the exchange of 805,835 performance-vesting options for 805,835 time-vesting options. The exchanged amounts included 715,383 unvested performance-vesting options which were exchanged for an equal amount of unvested time-vesting options. A portion of the new unvested time-vesting options will vest upon the next anniversary date of the option holder with the remainder vesting evenly over a three-year period commencing on the sixth anniversary date.

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.

28. SHARE-BASED COMPENSATION PLANS – (continued)

In January 2016, the Board approved the purchase for cancellation of up to 25% of the currently outstanding stock options. In March 2016, a total of 1,253,477 vested stock options were repurchased at fair value from key management personnel and other employees or former employees for a total cash consideration of $24.7 million.

In connection with the $387 million U.S. dollars cash distribution to the Company's shareholders (Note 25), effective January 25, 2017, a special payment was authorized to option holders of $12.8 million U.S. dollars. Of this balance, $10.0 million U.S. dollars has been recorded as an operating expense in 2017, of which $8.0 million U.S. dollars has been paid. The remaining payments will be made in subsequent periods subject to certain conditions being met.

The stock options granted in the current and prior years, and their weighted average fair value were as follows:

	2017	2016	2015
Number of stock options granted	—	—	418,606
Weighted average fair value of options granted	$ —	$ —	$ 14.80

The movement in the 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, 2015 and January 1, 2016	3,763,671	$ 23.65	1,825,324	$ 19.38
Granted	—		—	
Forfeited	(143,440)		(32,684)	
Exercised (Note 25)	(86,116)		(92,526)	
Repurchased	(857,096)		(396,381)	
Expired	—		—	
Outstanding at December 31, 2016 and January 1, 2017	2,677,019	$ 24.54	1,303,733	$ 20.16
Granted	—		—	
Forfeited	(15,507)		(17,638)	
Exercised (Note 25)	(3,150)		(3,850)	
Exchanged	805,835		(805,835)	
Expired	—		—	
Outstanding at December 31, 2017	3,464,197	$ 24.85	476,410	$ 11.07

The quantity of stock options that are exercisable and the weighted average remaining life were as follows:

As at December 31,	2017	2016
Time vesting option plans	2,612,679	1,779,707
Performance vesting option plans	476,413	582,854
Weighted average remaining life	4 years	6 years

The share-based compensation expense included in the consolidated statements of income (loss) was as follows:

Years ended December 31,	2017	2016	2015
Operating expenses	$ 2,856	$ 5,770	$ 5,369

28. SHARE-BASED COMPENSATION PLANS – (continued)

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:

	2017	2016	2015
Dividend yield	—%	—%	—%
Expected volatility	24.6%	24.6%	24.6%
Risk-free interest rate	1.83%	1.83%	1.81%
Expected life (years)	10	10	10

The expected volatility is based on the historical volatility.

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,	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Consolidated statements of income (loss)						
Operating expenses	$ 6,239	$ 6,235	$ 7,659	$ 243	$ 221	$ 494
Interest expense	$ 650	$ 875	$ 933	$ 861	$ 858	$ 1,043
Consolidated statements of comprehensive income (loss)						
Actuarial losses (gains) on employee benefit plans	$ 3,761	$ (4,376)	$ (1,140)	$ 1,410	$ (724)	$ (4,085)

In October 2013, the Company ceased allowing new employees to join certain of the defined benefit plans, except under certain circumstances, and commenced a defined contribution pension plan for new employees.

The Company made contributions of $0.8 million for various defined contribution arrangements during 2017 (December 31, 2016 — $0.8 million).

The Company's funding policy is to make contributions to its defined benefit pension funds based on actuarial cost methods as permitted 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.

29. EMPLOYEE BENEFIT PLANS – (continued)

The balance sheet obligations, distributed between pension and other post-employment benefits, included in other long-term liabilities (Note 23) were as follows:

As at December 31,	2017	2016
Pension benefits	$ 16,169	$ 14,330
Other post-employment benefits	23,896	22,388
Accrued benefit liabilities	$ 40,065	$ 36,718

The amounts recognized in the balance sheets and the funded statuses of the benefit plans were as follows:

	2017		2016	
As at December 31,	Pension	Other	Pension	Other
Present value of funded obligations	$ 306,660	$ —	$ 279,428	$ —
Fair value of plan assets	(291,612)	—	(266,255)	—
	15,048	—	13,173	—
Present value of unfunded obligations	1,121	23,896	1,157	22,388
Accrued benefit liabilities	$ 16,169	$ 23,896	$ 14,330	$ 22,388

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, 2017	$ 280,585	$ 22,388	$ 302,973
Current service cost	5,741	243	5,984
Interest expense	10,992	861	11,853
Remeasurements			
Actuarial losses arising from plan experience	2,748	138	2,886
Actuarial losses from change in demographic assumptions	—	13	13
Actuarial losses from changes in financial assumptions	16,244	1,259	17,503
Benefits paid	(9,769)	(750)	(10,519)
Contributions by plan participants	1,168	—	1,168
Foreign exchange	—	(246)	(246)
Other	72	(10)	62
Benefit obligation, December 31, 2017	307,781	23,896	331,677
Change in fair value of plan assets			
Fair value of plan assets, January 1, 2017	(266,255)	—	(266,255)
Contributions by plan participants	(1,168)	—	(1,168)
Contributions by employer	(8,883)	(750)	(9,633)
Interest income	(10,342)	—	(10,342)
Benefits paid	9,769	750	10,519
Remeasurements			
Return on plan assets, excluding interest income	(15,231)	—	(15,231)
Administrative costs	498	—	498
Fair value of plan assets, December 31, 2017	(291,612)	—	(291,612)
Accrued benefit liabilities, December 31, 2017	$ 16,169	$ 23,896	$ 40,065

29. EMPLOYEE BENEFIT PLANS – (continued)

	Pension	Other	Total
Change in benefit obligations			
Benefit obligation, January 1, 2016	$ 269,236	$ 22,861	$ 292,097
Current service cost	5,776	221	5,997
Interest expense	10,834	858	11,692
Remeasurements			
Actuarial gains arising from plan experience	(1,415)	(981)	(2,396)
Actuarial losses from change in demographic assumptions	—	28	28
Actuarial losses from changes in financial assumptions	3,823	229	4,052
Benefits paid	(8,837)	(640)	(9,477)
Contributions by plan participants	1,242	—	1,242
Foreign exchange	—	(149)	(149)
Other	(74)	(39)	(113)
Benefit obligation, December 31, 2016	280,585	22,388	302,973
Change in fair value of plan assets			
Fair value of plan assets, January 1, 2016	(249,335)	—	(249,335)
Contributions by plan participants	(1,242)	—	(1,242)
Contributions by employer	(8,231)	(640)	(8,871)
Interest income	(9,959)	—	(9,959)
Benefits paid	8,837	640	9,477
Remeasurements			
Return on plan assets, excluding interest income	(6,784)	—	(6,784)
Administrative costs	459	—	459
Fair value of plan assets, December 31, 2016	(266,255)	—	(266,255)
Accrued benefit liabilities, December 31, 2016	$ 14,330	$ 22,388	$ 36,718

The weighted average duration of the defined benefit obligation as at December 31, 2017 is 16 years for the defined benefit pension plans and 14 years for the other post-employment benefit plans. The weighted average duration of the current service cost as at December 31, 2017 is 23 years for the defined benefit pension plans and 25 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 2027 are as follows:

	Pension	Other
2018	$ 10,552	$ 882
2019	$ 11,194	$ 919
2020	$ 11,662	$ 960
2021	$ 12,173	$ 1,001
2022	$ 12,644	$ 1,044
2023 to 2027	$ 73,263	$ 6,862

Benefit payments include obligations to 2027 only as obligations beyond this date are not quantifiable.

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,	2017	2016
Equity securities		
Canada	22.3%	23.3%
United States	14.1%	14.6%
International (other than United States)	18.9%	18.9%
Fixed income instruments		
Canada	42.6%	40.7%
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:

As at December 31,	Pension 2017	Other 2017	Pension 2016	Other 2016
Actuarial benefit obligation				
Discount rate	3.50%	3.25% to 3.50%	3.90%	3.75% to 3.80%
Benefit costs for the year ended				
Discount rate	4.00%	3.75% to 4.00%	4.20%	4.00% to 4.10%
Future salary growth	2.50%	N/A	2.50%	N/A
Health care cost trend rate	N/A	4.50%	N/A	4.50%
Other medical trend rates	N/A	4.50%	N/A	4.50%

For certain Canadian post-retirement benefits, the medical trend rate for drugs was assumed to be 6.50% in 2018, decreasing by 0.25% per annum, to a rate of 4.50% in 2026 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, 2017 and 2016 would have increased or decreased as a result of the change in the respective assumptions by one percent.

	Pension		Other	
As at December 31, 2017	1% increase	1% decrease	1% increase	1% decrease
Discount rate	$ (42,092)	$ 53,148	$ (2,786)	$ 3,588
Future salary growth	$ 7,988	$ (7,457)	N/A	N/A
Medical and dental trend rates	N/A	N/A	$ 2,165	$ (1,663)

	Pension		Other	
As at December 31, 2016	1% increase	1% decrease	1% increase	1% decrease
Discount rate	$ (37,649)	$ 47,853	$ (2,618)	$ 3,345
Future salary growth	$ 8,028	$ (7,076)	N/A	N/A
Medical and dental trend rates	N/A	N/A	$ 1,856	$ (1,444)

29. EMPLOYEE BENEFIT PLANS – (continued)

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 $8.0 million to the defined benefit plans and $0.2 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,	**2017**	**2016**	**2015**
Cash	$ 388,372	$ 457,686	$ 476,700
Short-term investments [1]	90,673	324,720	214,026
Cash and cash equivalents	$ 479,045	$ 782,406	$ 690,726

(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,	**2017**	**2016**	**2015**
Income taxes paid	$ (85,503)	$ (122,401)	$ (159,256)
Income taxes received	22,512	1,929	4,233
	$ (62,991)	$ (120,472)	$ (155,023)

Interest paid, net of capitalized interest and interest received was comprised of the following:

Years ended December 31,	**2017**	**2016**	**2015**
Interest paid	$ (219,773)	$ (165,173)	$ (176,312)
Interest received	6,201	6,620	5,130
Capitalized interest	18,324	6,292	9,268
	$ (195,248)	$ (152,261)	$ (161,914)

30. SUPPLEMENTAL CASH FLOW INFORMATION – (continued)

The reconciliation of the liabilities arising from financing activities was as follows:

	Indebtedness	Satellite performance incentive payments	Capital leases
Balance as at January 1, 2017 [1]	$ 3,856,097	$ 75,985	$ 422
Debt issue costs	(42,867)	—	—
Cash outflows	(31,620)	(8,436)	(30)
Amortization of deferred financing costs, interest rate floor and prepayment option	14,988	—	—
Other	—	18	2
Impact of foreign exchange	(253,221)	(4,606)	(25)
Balance as at December 31, 2017	$ 3,543,377	$ 62,961	$ 369

[1] Balance of the indebtedness as at January 1, 2017, included $4,459 of accrued debt issue costs associated with the November 2016 refinancing which were paid in 2017.

	Indebtedness	Satellite performance incentive payments	Capital leases
Balance as at January 1, 2016	$ 4,063,221	$ 87,026	$ —
Cash outflows	(4,008,356)	(8,934)	(30)
Cash inflows	3,935,576	—	—
Amortization of deferred financing costs, interest rate floors, prepayment option and premiums	12,971	—	—
Debt issue costs	(58,141)	—	—
Accrued debt issue costs	(4,459)	—	—
Write off of debt issue costs, interest rate floors, prepayment option and premiums	41,183	—	—
Non-cash additions [1]	(16,910)	—	474
Other	(150)	573	(2)
Impact of foreign exchange	(113,297)	(2,680)	(20)
Balance as at December 31, 2016	$ 3,851,638	$ 75,985	$ 422

[1] Non-cash additions for the indebtedness includes $(25,581) relating to the interest rate floors on the Senior Secured Credit Facilities and $8,671 relating to the prepayment option on the Senior Notes.

30. SUPPLEMENTAL CASH FLOW INFORMATION – (continued)

	Indebtedness	Satellite performance incentive payments
Balance as at January 1, 2015	$ 3,545,679	$ 57,728
Non-cash additions	—	24,003
Cash outflows	(73,864)	(6,702)
Amortization of deferred financing costs, interest rate floors, prepayment option and premiums	13,051	—
Other	—	627
Impact of foreign exchange	578,355	11,370
Balance as at December 31, 2015	$ 4,063,221	$ 87,026

The net change in operating assets and liabilities was comprised of the following:

As at December 31,	**2017**	**2016**	**2015**
Trade and other receivables	$ (13,272)	$ (8,347)	$ 4,944
Financial assets	3,975	(2,521)	(4,590)
Other assets	12,848	1,260	(12,346)
Trade and other payables	6,947	6,076	(4,722)
Financial liabilities	(13,748)	551	8,396
Other liabilities	51,502	103,618	11,666
	$ 48,252	$ 100,637	$ 3,348

Non-cash investing activities were comprised of:

Years ended December 31,	**2017**	**2016**	**2015**
Satellites, property and other equipment	$ 9,515	$ 13,776	$ 51,587
Intangible assets	$ (128)	$ 2,350	$ 11,569

31. COMMITMENTS AND CONTINGENT LIABILITIES

The following were the Company's off-balance sheet contractual obligations as at December 31, 2017:

	2018	2019	2020	2021	2022	Thereafter	Total
Operating property leases	$ 6,190	$ 3,859	$ 3,628	$ 3,768	$ 3,186	$ 21,120	$ 41,751
Capital commitments	51,511	—	—	—	—	—	51,511
Other operating commitments	14,391	10,348	9,596	8,269	3,131	10,444	56,179
	$ 72,092	$ 14,207	$ 13,224	$ 12,037	$ 6,317	$ 31,564	$ 149,441

Operating 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 operating 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 2018 to 2043. The aggregate expense related to operating property lease commitments for the year ended December 31, 2017 was $6.4 million (December 31, 2016 — $6.5 million, December 31, 2015 — $7.4 million).

The Company has entered into contracts for the construction and launch of satellites, and other capital expenditures. The total outstanding commitments as at December 31, 2017 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, 2017, customer prepayments of $390.2 million (December 31, 2016 — $391.8 million), a portion of which is refundable under certain circumstances, were reflected in other current and other 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.

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.

31. COMMITMENTS AND CONTINGENT LIABILITIES – (continued)

Legal Proceedings

The Company frequently participates in proceedings before national telecommunications regulatory authorities. In addition, the Company may also become involved from time to time in other legal proceedings arising in the normal course of its business.

The Company is subject to audits by taxing authorities in the various jurisdictions in which it operates.

The Company is currently involved in a number of disputes with the Brazilian tax authorities who have alleged that additional taxes are owed on revenue earned by the Company for the period 2003 to 2012. The disputes relate to the Brazilian tax authorities' characterization of the Company's revenue. Additional taxes and interest of approximately $40.2 million have been assessed by Brazilian tax authorities and the Company has challenged those 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.

32. SUBSIDIARIES

The list of significant companies included in the scope of consolidation as at December 31, 2017 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
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
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

The percentage of voting rights and method of consolidation were the same as at December 31, 2016.

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.

Special cash distribution

Effective January 25, 2017, the Board of Directors approved a special cash distribution to shareholders, as a reduction of stated capital, in the amount of approximately $387.2 million U.S. dollars. Of this balance, $138.5 million U.S. dollars were paid to Red Isle, $242.7 million U.S. dollars were paid to Loral Holdings, with the remainder paid to various individuals. These distributions were made during the first quarter of 2017.

Special payment to stock option holders

In connection with the cash distribution to the Company's shareholders, in January 2017, a special payment was authorized to stock option holders of $12.8 million U.S. dollars, of which $11.3 million U.S. dollars related to key management personnel. Of this balance, $8.8 million U.S. dollars has been recorded as an operating expense in 2017, of which $6.9 million U.S. dollars has been paid with the remaining payments to be made in subsequent periods subject to certain conditions being met.

Compensation of executives and Board level directors

Year ended December 31,	2017	2016	2015
Short-term benefits (including salaries)	$ 10,037	$ 6,751	$ 7,132
Special payments (1)	9,006	—	—
Post-employment benefits	2,458	2,344	3,268
Share-based payments (2)	2,820	5,482	4,674
	$ 24,321	$ 14,577	$ 15,074

(1) Balance relates to the special cash distribution effective January 25, 2017.

(2) During 2015, the Board authorized the grant of stock options to certain key management personnel pursuant to the stock incentive plan. A total of 348,606 stock options were granted to key management personnel in 2015. Share-based payments also included all expenses associated with stock options previously issued under the 2008 and stock incentive plans.

Key management personnel — stock options

In March 2016, a total of 1,253,477 vested stock options were repurchased at fair value from key management personnel and other employees or former employees for a total cash consideration of $24.7 million, of which $18.7 million was paid to key management personnel.

33. RELATED PARTY TRANSACTIONS – (continued)

In August 2017, Telesat authorized the exchange of 805,835 performance-vesting options for 805,835 time-vesting options, of which 682,550 options related to key management personnel. The exchanged amounts included 715,383 unvested performance-vesting options which were exchanged for an equal amount of unvested time-vesting options, of which 613,316 unvested options related to key management personnel. A portion of the new unvested time-vesting options will vest upon the next anniversary date of the option holder with the remainder vesting evenly over a three-year period commencing on the sixth anniversary date.

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,	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Revenue	$ 128	$ 133	$ 129	$ —	$ —	$ —
Operating expenses	$ —	$ —	$ —	$ 6,518	$ 6,627	$ 7,547
Interest and other expenses	$ —	$ —	$ —	$ —	$ —	$ —

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,	**2017**	**2016**	**2017**	**2016**
Current receivables/payables	$ 82	$ —	$ —	$ 174

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, 2017 were $8.9 million (December 31, 2016 — $8.2 million).

Exhibit 10.30

EXECUTION VERSION

GRANT AGREEMENT
(Non-Qualified Share Options/Tandem SARs)

THIS AGREEMENT, made as of this the 25 th day of August 2017 among Telesat Canada, formed as a result of an amalgamation of Telesat Holdings Inc., Telesat Interco Inc. and Telesat Canada on January 1, 2017 (the " Company "), Michel G. Cayouette (the " Participant "), and for the purposes of Sections 11, 12, 13, 15, 16 and 18 only, Loral Space & Communications Inc. (" **Loral** "), and for the purposes of Sections 11, 12, and 13 only, the Public Sector Pension Investment Board (" **PSP** "), and only for the purposes of Sections 16, 17(b) and 21, 4440480 Canada Inc. (the " Special Purchaser ", collectively with the Company, the Employer, the Participant, Loral and PSP, the " Parties ").

WHEREAS, the Company has adopted and maintains the Telesat Holdings Inc. Management Stock Incentive Plan (the " Plan ") to promote the interests of the Company and its Affiliates and shareholders by providing the Company and its Affiliates' key employees with an appropriate incentive to encourage them to continue in the employ of and provide services for the Company or its Affiliates and to improve the growth and profitability of the Company and its Affiliates;

WHEREAS concurrent with the Grant hereunder, the Participant surrenders all rights under the grant agreement executed November 18, 2013 (the " Previous Grant "), and all rights surrendered by the Participant are cancelled by the Company in exchange for rights granted to the Participant hereunder to acquire Shares of the Company as set out herein.

WHEREAS, the Plan provides for the Grant to Participants in the Plan of Non-Qualified Share Options and Tandem SARs to purchase Shares of the Company.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

1. Incorporation of Plan . All terms, conditions and restrictions of the Plan, including the Accession Agreement, and the Employment Agreement are incorporated herein and made part hereof as if stated herein and the terms hereof are incorporated in the Plan as it applies to the Participant. If there is any express conflict between the terms and conditions of the Plan and this Grant Agreement, the terms and conditions of this Agreement shall govern. All capitalized terms used and not defined herein shall have the meaning given to such terms in the Plan.

2. Grant of Options . Pursuant to, and subject to, the terms and conditions set forth herein and in the Plan, the Company and the Employer hereby grant to the Participant a NON-QUALIFIED SHARE OPTION (the " Option ") with respect to 270,000 Shares.

3. Grant of Tandem SARs .

(a) Each Option shall be accompanied by a TANDEM SAR at the SAR Base Price (per Share). The Tandem SAR constitutes an unfunded and unsecured promise of the Company to deliver (or cause to be delivered) to the Participant a combination of Shares and cash (as determined by the Committee, in its discretion, subject to the provisions of this Section 3) at the time such Tandem SAR is exercised, equal in value to the excess, if any, of the Fair Market Value per Share over the SAR Base Price per Share of the Tandem SAR. In no event shall the amount of such excess that the Company shall deliver (or cause to be delivered) to the Participant in cash exceed the minimum mandatory statutory amount of withholding taxes due to the applicable Canadian federal and provincial and applicable United States federal, state and local taxing authorities with respect to the exercise of the Tandem SAR (the " Minimum Withholding Amount ").

(b) The Participant may exercise the Tandem SAR, in whole or in part, pursuant to the terms of the Plan and the Grant Agreement provided that, if Section 3(c) below applies no less than fifteen (15) business days (and no more than thirty (30) business days) in advance of the effective date of the proposed exercise the Participant shall give the Committee written notice of his intention to exercise the Tandem SAR, in whole or in part, and the number of Shares underlying the Option involved. Upon receipt of such notice, the Committee shall promptly notify the Participant whether the Company is prohibited by applicable law or prohibited under any credit agreement (or other debt agreement) applicable to the Company from (x) permitting such exercise of the Tandem SAR, in whole or in part, or (y) from making the payment of the amounts in accordance with Section 3(c) below (an " Applicable Restriction ") at the time the Participant provides the notice of an intent to exercise. In the case of an Applicable Restriction, the Participant shall not be permitted to exercise the Tandem SAR, in whole or in part, to the extent restricted by the Applicable Restriction, but may, but shall not be obligated to, exercise all or part of the Option and utilize the Special Purchase Rights (as described in Section 17(b)) with regard to the amounts necessary to pay the Exercise Price and the Minimum Withholding Amount (provided that the Special Purchase Rights shall not be available if both (x) the Company's public common shares are publicly traded and (y) Participant is otherwise free to sell the Shares acquired under the Option). Any exercise of all or part of the Tandem SAR or use of the Special Purchase Rights shall be accomplished within thirty (30) business days after notification by the Committee that exercise of the Tandem SAR is or is not permitted. If the exercise or utilization is to occur thereafter, a new notice of intent to exercise shall be required.

(c) Notwithstanding Section 3(a) but subject to Section 3(b), if exercise of a Tandem SAR, in whole or in part, occurs during employment (while Cause does not exist and there is no current intent to voluntarily resign without "Good Reason" (as defined in the Participant's Employment Agreement)) or following a Termination of Employment other than a termination for Cause or a voluntary termination without Good Reason, and is not prohibited by Section 3(b), the Minimum Withholding Amount shall be delivered in cash. The remainder of such excess shall be delivered in Shares. Fractional Shares will not be delivered and the number of Shares to be delivered upon any exercise by the Participant of the Tandem SAR, in whole or in part, granted herein shall be rounded up to the nearest whole Share and the amount of cash to be delivered to the Participant upon such exercise shall be rounded down. Until such delivery, the Participant has only the rights of a general unsecured creditor and no rights as a shareholder of the Company in respect to such Shares.

4. Option/Tandem SAR : The Tandem SAR shall vest, become exercisable, and terminate at the same times and under the same terms as the Option granted herein. The exercise of all or part of the Option shall cause the same proportion of the Tandem SAR to automatically terminate and the exercise of all or part of the Tandem SAR shall cause the same proportion of the Option to automatically terminate. Only the Option or the Tandem SAR, and not both, may be exercised in whole or in part at any time.

5. Grant Date. The Grant Date of the Award hereby granted is August 25, 2017.

6. Exercise Price. The Exercise Price of each Share underlying the Option hereby granted is CAD $24.20.

7. Grant Term. Subject to the terms of the Plan and Section 14 hereof as to earlier termination of the exercise period of the Award, the exercise period of the Award shall expire on April 5, 2023.

8. Vesting.

(a) Notwithstanding Section 5 of the Plan, the Option shall be immediately vested and exercisable with respect to 58,284 of the Shares underlying the Option.

(b) Notwithstanding Section 5 of the Plan, the remaining Option shall become vested and exercisable as set out on **Schedule A** hereto.

9. Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any party hereto, upon any breach or default of any party under this Grant Agreement, shall impair any such right, power or remedy of such party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any party of any breach or default under this Grant Agreement, or any waiver on the part of any party or any provisions or conditions of this Grant Agreement, shall be in writing and shall be effective only to the extent specifically set forth in such writing.

10. Limitation on Transfer. No Shares obtained pursuant to the exercise of the Award granted herein shall be transferred except subject to the terms set forth in **Schedule B** hereto.

11. Drag-Along Rights in Respect of Shares Issuable Upon Exercise of the Award .

(a) Provided that Loral or PSP and their respective Affiliates and their Permitted Transferees (as defined in the Unanimous Shareholder Agreement) (such shareholders and their respective Affiliates and Permitted Transferees being referred to in this Agreement as the " Relevant Shareholders ") collectively hold a number of Equity Shares of the Company which is not less than 25% of the total number of Equity Shares then outstanding on a fully diluted basis, if a Relevant Shareholder proposes to Transfer to any person (the " Drag-Along Transferee ") at arm's length from such Relevant Shareholder (for purposes of this Section 11 only, any such Relevant Shareholder that is proposing such Transfer, a " Selling Shareholder ") some or all of the Equity Shares then held by the Selling Shareholder, in a *bona fide* transaction (a " Drag-Along Sale "), then the Selling Shareholder(s) may elect (a " Drag-Along Election ") to require the Participant (but provided that all Participants are being similarly required with regard to their fully vested Shares but not necessarily unvested Shares) to sell to the Drag-Along Transferee up to that number of Shares issued upon exercise of any vested Award equal to the product of (such product being the " Draggable Amount ") (x) a fraction, the numerator of which is the number of Equity Shares (on a fully diluted basis) as is proposed to be sold by the Selling Shareholder(s) and the denominator of which is the aggregate number of Equity Shares (on a fully diluted basis) owned as of the date of the Drag-Along Notice (as defined below) by all Relevant Shareholder(s), and (y) the number of Shares then owned by the Participant and issued upon the exercise of the Award plus the number of Shares issuable upon the exercise of the Award whether or not vested, as of the date of the Drag-Along Notice, at the purchase price and upon the other terms and subject to the conditions of the Drag-Along Sale (including the kind and amount of consideration to be paid for such Equity Shares), all of which shall be set forth in the Drag-Along Notice. To the extent that the number of Shares issued upon exercise of any vested portion of any Award that is held by the Participant is less than the Draggable Amount calculated pursuant to this section, a portion of the Time-Vesting Option (but not the Performance-Vesting Option) not otherwise vested and exercisable shall become vested and exercisable based on the earliest thereafter vesting tranches being vested before later vesting tranches and the Participant shall be required, conditioned on the closing of the Drag-Along Sale, to exercise such portion of such Award and Transfer the resulting Shares in the manner provided in the previous sentence. Without any obligation to do so, the Company may elect to vest an amount of the Unvested Options up to the amount necessary to reach the Draggable amount (in such order as the Company shall elect) and such Options shall then be treated as vested for purposes of the Drag-Along Sale. For the purposes of this Section 11, an Award will be deemed to be vested for purposes of this Section 11 if and to the extent that such Award would vest pursuant to Section 14(a) immediately prior to the close of the Drag-Along Sale. The Participant shall be responsible to the Selling Shareholders for the Participant's *pro rata* share of a reasonable estimate of the out-of-pocket transactional expenses to be paid by the Selling Shareholders, as determined by the Selling Shareholders, incurred in connection with the Drag-Along Sale. Without limiting the foregoing liability, the Selling Shareholders shall be entitled to agree with the purchaser for the payment of such *pro rata* share directly, to the Selling Shareholders out of sale proceedings.

(b) The rights set forth in Section 11(a) shall be exercised by the Selling Shareholder giving written notice by delivery of a true and complete copy of the offer to purchase from the Drag-Along Transferee together with all relevant agreements (the " Drag-Along Notice ") to each Participant which shall specifically identify the identity of the proposed Drag-Along Transferee, the number of Equity Shares proposed to be sold to the Drag-Along Transferee, the purchase price therefor, the material terms and conditions of the proposed Drag-Along Sale and the proposed closing date of the Drag-Along Sale.

(c) The Selling Shareholders may assign to the Drag-Along Transferee their rights under this Section 11 and Section 12 hereof, and in such event, the Drag-Along Transferee shall be treated as if it is the Selling Shareholder thereafter.

(d) This Section 11 shall not apply to sales made in connection with an Initial Public Offering or other sales made into the public market.

12. Tag Along Rights in respect of Shares Issuable Upon Exercise of the Award .

(a) No Relevant Shareholder shall sell, offer to sell or agree to sell any Equity Shares (other than (i) sales of Equity Shares by a Relevant Shareholder to any other Relevant Shareholder, (ii) sales made in connection with an Initial Public Offering or other sales made into the public market, (iii) sales of Equity Shares by a Relevant Shareholder(s) to its or their Affiliate, (iv) a sale by PSP (or an Affiliate) of Equity Shares to a shareholder who through such sale acquires a right to nominate directors of the Company but not a proportionate share of PSP's Equity Interest, (v) a transfer to a Permitted Transferee as defined in Section 7.04(l) of the Unanimous Shareholder Agreement, (vi) in a PSP Sell-Down (as defined in the Unanimous Shareholder Agreement) or (vii) sales aggregated with all other Transfers by Relevant Shareholders of less than 5% of Equity Shares collectively owned by all Relevant Shareholders as of the Grant Date), unless the applicable offer is in writing and provides, as a condition precedent to its completion, that the proposed purchaser grants to the Participant the right to require the proposed purchaser to purchase, at the discretion of the Participant, some or all of that proportion of the Shares owned by the Participant and issued upon exercise of the Award, plus Shares of the Participant issuable upon exercise of the Award whether or not vested, as is equal to the product of (x) the Tag-Along Percentage, and (y) the number of Shares then owned by the Participant and issued upon the exercise of the vested Award or any unvested Time-Vesting Option (but not unvested Performance-Vesting Options), as of the date of the Tag-Along Notice, at a price per Share, and upon the other terms and subject to the other conditions (including kind and amount of consideration) as is set forth in the offer to the Selling Shareholder(s) (a " Tag-Along Sale "); provided, however, that (without limiting the rights of Loral or PSP under this Agreement, including, without limitation, Sections 11 and 15) the obligations of each Relevant Shareholder set forth in this Section 12(a) shall cease in the event that, subject to the prior written consent of Loral and PSP, the Participant enters into a separate agreement or arrangement with the proposed purchaser or the Company regarding the treatment of the Shares owned by the Participant and issued upon exercise of the Award in connection with any such sale (or proposed sale) by a Relevant Shareholder. The " Tag-Along Percentage " means a fraction, the numerator of which is the number of Equity Shares as is proposed to be sold by the Relevant Shareholder(s) who are proposing such sale (for purposes of this Section 12 only, such Relevant Shareholder, a " Selling Shareholder ") and the denominator of which is the aggregate number of Equity Shares then owned by all Relevant Shareholders; provided that if the Tag-Along Sale is for all of PSP's and its Affiliates' Equity Shares (a " Qualifying Tag-Along Sale ") and is entered into in connection with, or contemporaneously with, a Loral Transaction (as defined herein), then the Tag-Along Percentage shall equal 100%.

(b) Notwithstanding Section 12(a) above, in the event of a Qualifying Tag-Along Sale, with respect to the Applicable Percentage of the Participant's Shares (whether issued or issuable upon exercise of his Award and whether vested or unvested): (i) the purchase price per Share shall be the Implicit Loral Purchase Price Per Telesat Share, and (ii) the consideration payable by the buyer in the Qualifying Tag-Along Sale shall, except as otherwise consented to by Loral and the Participant, be the same Non-Cash/Mixed Consideration as is paid to the holders of Loral Common Stock in the Loral Transaction; provided that the consent of the Participant shall not be required where some or all of the Non-Cash/Mixed Consideration is replaced with cash consideration. " Applicable Percentage " means the number of Equity Shares owned by Loral immediately prior to the Qualifying Tag-Along Sale, divided by the number of Equity Shares outstanding immediately prior to the Qualifying Tag-Along Sale excluding Equity Shares issued or issuable upon the exercise of any Award, such result expressed as a percentage. " Implicit Loral Purchase Price Per Telesat Share " means the Loral Stake FMV divided by the number of Equity Shares owned by Loral immediately prior to the transaction with respect to which the calculation is being made. In addition, if the Participant fails to exercise his tag along rights in the event of a Qualifying Tag-Along Sale, Loral shall have a Loral Call as provided in Section 15(f) and the Relevant Shareholders (as applicable) shall have drag-along rights as provided in Section 11.

(c) The Selling Shareholder(s) shall give notice of any proposed sale to the Participant (the " Tag-Along Notice ") and shall permit the Participant to have not less than 20 days to accept such offer in a manner which permits the Participant to specify the number of Shares which the Participant wishes to sell. To the extent necessary in order to effect the Tag-Along Sale (and only to such extent), and conditional upon the closing of the Tag-Along Sale, any portion of the time-vesting portion of the Award of the Participant not vested and exercisable shall become vested and exercisable to the extent that the Shares issuable upon such exercise may be included in the Tag-Along Sale based on the earliest unvested tranches vesting first. For the purposes of this Section 12, an Award will be deemed to be vested for purposes of subsection (y) above if and to the extent that such Award would vest pursuant to Section 14(a) immediately prior to the close of the Tag-Along Sale. The completion of the sale of such Shares by the Participant shall be subject to completion of the sale of Equity Shares by the Selling Shareholder(s) and *vice versa* . If the Participant exercises tag-along rights pursuant to this Section 12, the Participant shall be responsible to the Selling Shareholders for his *pro rata* share of a reasonable estimate of the transactional expenses of the Selling Shareholders, as determined by the Selling Shareholders, in connection with the Tag-Along Sale, and the Selling Shareholders shall be entitled to agree with the purchaser for the payment of such *pro rata* share of the reasonable estimate of the transactional expenses, as determined by the Selling Shareholders, to the Selling Shareholders.

(d) If any transfer of Equity Shares to a Permitted Transferee or Affiliate is exempt from this Section 12, as set forth above, as a condition of such Transfer, the transferee shall agree that any subsequent Transfer of such Equity Shares shall be subject to this Section 12.

(e) In the case of any initial public offering in which a Selling Shareholder transfers its Equity Shares, Participant shall be entitled to the vesting acceleration described in this Section 12 as though such transfer were subject to this Section 12, with regard to the unvested Awards necessary to be vested and exercised to sell the Shares in the initial public offering pursuant to item (iv) of Schedule B and Participant shall have no rights to tag along on any public offering under this Section 12 (but shall have the rights under item (iv) of Schedule B).

13. Sale Procedures

(a) In connection with any Drag-Along Sale, or any Tag-Along Sale which the Participant agrees to accept, all Participants shall be obligated, if applicable and if permitted by law, to vote (or consent in writing, as the case may be, in respect of) all Shares held by them in favour of any Drag-Along Sale or Tag-Along Sale being effected by merger, amalgamation, consolidation, plan of arrangement, share sale, asset sale or other type of business combination requiring shareholder approval and the Participant shall in all other respects support the transaction contemplated by the Drag-Along Sale or Tag-Along Sale and shall be obligated to take all reasonable actions and to reasonably cooperate in the consummation of the transaction contemplated thereby and shall execute all documents, including a sale, purchase, amalgamation, reorganization or merger agreement, reasonably requested by the Selling Shareholder(s) containing the terms and conditions of the Drag-Along Sale or Tag-Along Sale; provided, however, that such terms and conditions shall include the following: (i) any representations and warranties from the Participants shall be on a several and not joint basis; and (ii) the maximum liability of each Participant (other than for fraud or intentional misrepresentation as to ownership or the existence of a lien) under such Drag-Along Sale or Tag-Along Sale transaction shall be limited to the purchase price received by such Participant.

(b) No Participant shall exercise any rights of appraisal or dissent rights that such Participant may have (whether under applicable law or otherwise) or could potentially have or acquire in connection with any Drag-Along Sale or Tag-Along Sale or any proposal that is necessary or desirable to consummate the Drag-Along Sale or Tag-Along Sale.

(c) All Transfers of Shares, including Shares issuable upon exercise of the Award to the Drag-Along Transferee pursuant to Section 11 or the Tag-Along Transferee pursuant to Section 12, shall be consummated contemporaneously on the closing date specified in the Drag-Along Notice or offer of Tag-Along Sale and, if any Participant shall not have taken such steps as are necessary to Transfer Shares and/or exercise the Award to be exercised as provided above in Section 11, in order for the Shares to be so Transferred, such Participant shall be deemed to have appointed each Selling Shareholder as his true and lawful attorney in fact to take all such actions and to sign all such documents as are necessary or, in the reasonable view of the Selling Shareholder, desirable in order to effect such Transfer. In such event, the Selling Shareholder shall hold the purchase price for such Shares in trust for the Participant, pending acknowledgement in writing of the Transfer by the Participant.

14. Revised Vesting and Exercise Time Period .

(a) Immediately prior to either a Change of Control or a Loral Only Change of Control (as defined in Section 15), (i) the Time-Vesting Options will vest in full, (ii) the portion of the Performance-Vesting Options for which the opportunity to vest has occurred, but which have not vested, shall be cancelled and cease to be outstanding, and (iii) the portion of the Performance-Vesting Options for which the opportunity to vest has not yet occurred shall become vested and exercisable as to all shares thereunder.

(b) Instead of the provisions set forth in Section 5.4.2 of the Plan, the following provisions will apply:

(i) (A) upon termination of the Participant's employment by the Participant without Good Reason at any time (x) before September 17, 2015 (y) between September 18, 2015 and September 17, 2016, if Daniel Goldberg ceases to be employed by the Company for any reason within six (6) months prior to such termination or (z) if Cause exists at the time of such termination or (B) upon termination of the Participant's employment by the Company for Cause at any time, the Award, whether vested and exercisable on or prior to the date of such termination, or not, shall immediately as of such date of termination be forfeited.

(ii) upon termination of the Participant's Employment by the Company at any time without Cause, or by the Participant for Good Reason, the portion of the Award that would have become vested in the one-year period immediately following the date of termination shall immediately become vested and exercisable, in full, and shall continue to be exercisable for a period of 180 days following such date, and thereafter shall be forfeited.

(iii) if the Participant's Employment terminates as a result of death or Disability of the Participant, the portion of the Award that would vest within one year of the date of termination of employment shall immediately vest.

(iv) in the event of the death or Disability Termination of the Participant, the vested portion of the Award shall continue to be exercisable for a period of one year from the Participant's termination of employment as a result of death or Disability, and thereafter shall be forfeited.

(v) upon termination of the Participant's Employment by the Participant without Good Reason at any time on or after September 17, 2015 (except as provided in Section 14(b)(i)(A)(y) or (z)), the vested portion of the Award shall be exercisable for a period of 90 days following such date, and thereafter shall be forfeited.

(c) The provisions of Section 14(b) above shall be subject to Section 5.8.2 of the Plan as to termination of exercise periods to the extent not based on termination of Employment.

15. Loral Transaction.

(a) Loral Only Change of Control Defined . A " Loral Only Change of Control " shall have occurred when both (i) the holders of 90% or more of the shares of each class of common stock (the " Common Stock ") of Loral outstanding at the relevant time, sell, transfer, exchange or otherwise dispose of such shares pursuant to a transaction or series of related transactions as a result of which any person or group (as such terms are defined in Section 13(d) or Section 14(d) of the Securities Exchange Act of 1934 (the " Exchange Act ") or any successor provision to either of the foregoing) of persons (the " Acquiror "), acquires and becomes the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) directly or indirectly, of 90% or more of each class of Common Stock; provided that such Acquiror is not and does not include, or act in concert with, the MHR Fund (as defined in the Unanimous Shareholders Agreement) (a " Loral Transaction "); and (ii) a Qualifying Tag-Along Sale is not entered into in connection with or contemporaneous with, the Loral Transaction.

(b) Initial Public Offering . If the Company completes an Initial Public Offering, then, from and after the later of a Loral Only Change of Control or the Initial Public Offering, the Sell Down Percentage shall be deemed to be the greater of 64% or as calculated pursuant to Schedule B. In addition, following the completion of an Initial Public Offering, the following provisions of this Agreement shall be inapplicable: the proviso in the last sentence of Section 12(a), Section 12(b), and Sections 15(c), (d) and (e).

(c) Notice of Certain Transactions . As soon as reasonably practicable following such time as Loral enters into an agreement or arrangement that would reasonably be expected to result in a Loral Only Change of Control, Loral shall inform the Participant (the " Loral Notification ") of the following: (i) a description of the consideration to be received by Loral shareholders holding Common Stock (the " Loral Only Change of Control Consideration ") and (ii) the date by which Participant must provide the Company, Loral and PSP with its LCC Put Notice (as defined below) (which date shall be at least seven (7) days after the date of the Loral Notification); provided, however, Loral shall not be obligated to deliver the Loral Notification if doing so would violate any contractual obligation of Loral or its Affiliates or applicable law (a " Loral Notification Restriction "). Loral agrees to take commercially reasonable efforts to overcome or have waived any Loral Notification Restriction; however, should Loral be unable to overcome or have waived a Loral Notification Restriction it shall deliver the Loral Notification as soon as reasonably practicable after such Loral Notification Restriction no longer restricts Loral from providing the Loral Notification. If there shall be a material change in the Loral Only Change of Control Consideration (a " Material Change ") from that set forth in the Loral Notification, Loral shall promptly give Participant notice of such change and give him an opportunity to confirm or revoke his LCC Put Notice (such notification being deemed to be a new Loral Notification and the date set forth therein for confirmation or revocation of Participant's LCC Put Notice, the new and applicable date contained in the Loral Notification (which date shall not be less than seven (7) days following the earlier of (i) the date of the new Loral Notification and (ii) public disclosure of such change)). In addition, as soon as reasonably practicable following such time as Loral enters into an agreement or arrangement that would reasonably be expected to result in a Loral Transaction that is not a Loral Only Change of Control, Loral shall inform the Participant of the existence of such Loral Transaction and a description of the consideration to be received by Loral shareholders holding Common Stock in such Loral Transaction.

(d) LCC Put Right . Upon a Loral Only Change of Control, Participant shall have the right (the " LCC Put Right ") exercised by providing written notice (the " LCC Put Notice ") to the Company, Loral and PSP, delivered within the timeframes set forth in Section 15(c), to require that the Company cause the Special Purchaser to purchase (pursuant to Section 17(b)) from Participant up to a number of shares equal to the product of the Total Shares and the Loral Ownership Percent (which number of shares shall be the " LCC Put Shares " and shall be specified in the LCC Put Notice) for cash in an amount per Share equal to the Implicit Loral Purchase Price per Telesat Share (the " Cash Consideration "). " Total Shares " are the Shares owned by the Participant and issued upon exercise of the Award, plus Shares of the Participant issuable upon exercise of the Award whether or not vested. The " Loral Ownership Percent " shall be a fraction the numerator of which is the number of Equity Shares owned by Loral and its Affiliates as of the date immediately preceding the Loral Only Change of Control and the denominator of which is the aggregate number of all Equity Shares as of such date excluding Equity Shares issued or issuable upon the exercise of any Award. Participant's LCC Put Right shall expire unless Participant shall have delivered an LCC Put Notice in accordance with the provisions of this Section 15. Upon the expiration of Participant's LCC Put Right, neither the Company, the Special Purchaser, Loral nor PSP shall have any further obligation to affect the purchase or Exchange of the LCC Put Shares. Participant acknowledges and agrees that because of the nature of these matters and the transactions any LCC Put Notice shall be, subject to the penultimate sentence of Section 15(c), irrevocable and binding on the part of Participant.

(e) Company Put Restriction . Should the Company and/or the Special Purchaser be prohibited by applicable law or prohibited under any credit agreement (or other debt agreement) applicable to the Company from effecting the purchase pursuant to Sections 15(d) and 17(b) (a " Company Put Restriction ") (provided that a credit or other debt agreement shall not be considered to create a Company Put Restriction if the payment of the Cash Consideration can be effected by application of any provision, election or "basket" available under the agreement, in which case the Company shall be required to cause the Special Purchaser to effect the purchase of the LCC Put Shares to the extent permitted under such agreement), then the Company shall notify Loral, PSP and the Participant in writing (a " Company Restriction Notice ") and shall not be obligated to cause the Special Purchaser to purchase the LCC Put Shares to the extent prohibited by the Company Put Restriction. The Company shall use commercially reasonable efforts to overcome (or obtain a waiver of) any Company Put Restriction and shall send a subsequent written notice (the " Company Restriction Elimination Notice ") to Loral and PSP and, unless a Loral Call or Shareholder Backstop with respect to all of the LCC Put Shares shall have previously closed, the Participant, promptly after the Company determines that the Company Put Restriction no longer applies. In such event, Participant shall once again have the right, within seven (7) days from the date of the Company Restriction Elimination Notice to exercise the LCC Put Right by delivering a new LCC Put Notice for the LCC Put Shares, less the Shares, if any, acquired by Loral pursuant to the Loral Call, in which event the LCC Put Right shall be effected subject to and in accordance with the provisions of this Section 15 (provided that if the Implicit Loral Purchase Price per Telesat Share has already been determined in response to Participant's original LCC Put Notice and there has not been a subsequent Material Change, such determination shall remain valid and the Implicit Loral Purchase Price per Telesat Share will not be determined again in response to any subsequent LCC Put Notice given pursuant to this sentence). In the event of a Company Put Restriction or a default by the Special Purchaser in purchasing the LCC Put Shares upon exercise of the LCC Put Right, then Loral shall purchase all of the LCC Put Shares; provided, however, that PSP shall have the right, but not the obligation, exercisable upon written notice to Loral and the Participant not more than five (5) days after PSP's receipt of the Company Restriction Notice, to purchase a percentage of the LCC Put Shares determined by dividing the number of Equity Shares owned by PSP immediately prior to the Loral Only Change of Control by the total number of Equity Shares owned collectively by Loral and PSP at such time, in which case upon any such exercise by PSP the number of LCC Put Shares to be purchased by Loral shall be reduced accordingly (any such purchase of LCC Put Shares by Loral and/or PSP, a " Shareholder Backstop "). The consideration paid to the Participant by Loral upon a Shareholder Backstop shall at the election of Loral, be either (i) Cash Consideration or (ii) if in connection with the Loral Only Change of Control the holders of Loral Common Stock receive consideration for their shares in a form other than solely cash (" Non-Cash/Mixed Consideration "), the Non-Cash/Mixed Consideration (to the extent the Non-Cash/Mixed Consideration consists of more than one type of consideration (e.g. cash and notes), the consideration paid to the Participant shall be the same types of consideration in the same proportion as received by the holders of Loral Common Stock); provided that Loral may, at its option, deliver cash to the Participant in place of some or all of the Non-Cash/Mixed Consideration. The consideration paid to the Participant by PSP in the event that it elects to participate in a Shareholder Backstop shall be in the form of cash. Notwithstanding anything to the contrary contained in this Section 15(e), the obligation of Loral to effect a Shareholder Backstop, and PSP's right to effect a Shareholder Backstop, shall cease in the event that, subject to the prior written consent of Loral and PSP, the Participant enters into a separate agreement or arrangement with the purchaser under a Loral Only Change of Control or the Company regarding the treatment of the LCC Put Shares owned by the Participant and issued upon exercise of the Award in connection with any such Loral Only Change of Control.

(f) Exercise of the Loral Call . Loral shall have the right to purchase from the Participant some or all of that number of Shares equal to the product of the Total Shares and the Loral Ownership Percent upon either (i) a Loral Only Change of Control, and whether or not Participant exercises his LLC Put Right pursuant to this Section 15, or (ii) a Qualifying Tag-Along Sale in which the Participant does not exercise his tag-along rights pursuant to Section 12 in full (the " Loral Call "). The Loral Call is exercisable: (i) in the case of a Loral Only Change of Control, by written notice delivered to the Participant and PSP not more than seven (7) days after the last day by which the Participant may exercise the LCC Put under Section 15(d) or (e) above or the Loral Restriction Elimination Call under Section 15(h), and (ii) in the case of a Qualifying Tag-Along Sale, by written notice delivered to the Participant and PSP not more than seven (7) days after the last day by which the Participant may exercise his tag along rights with respect to the Qualifying Tag-Along Sale (the last day on which the written notice may be delivered being, the " Call Notice Deadline "). Loral may at its election, assign some or all of the Loral Call to the Company. In the event that Loral exercises a Loral Call, PSP shall have the right, exercisable at PSP's written election delivered to Loral and the Participant not more than five (5) days after PSP's receipt of Loral's notice pursuant to the immediately preceding sentence, to purchase from the Participant a percentage of the Shares that are subject to the Loral Call determined by dividing the number of Equity Shares owned by PSP immediately prior to the Loral Only Change of Control or Qualifying Tag-Along Sale (as the case may be) pursuant to which the Loral Call shall have been exercised by the total number of Equity Shares owned collectively by Loral and PSP at such time, which Shares shall be purchased by PSP upon the same terms and conditions as the Loral Call, except that the consideration paid by PSP for such Shares shall be in cash. To the extent that a Loral Call closes, the Company shall be discharged from satisfying the LCC Put Right in respect of the Shares subject to the Loral Call.

(g) Closing of the Loral Call. Upon closing of the Loral Call, Loral shall exchange (x) Exchange Consideration (as defined below) equal to the Implicit Loral Purchase Price Per Telesat Share multiplied by the number of Shares subject to the Loral Call, for (y) the number of Shares subject to the Loral Call. The " Exchange Consideration " shall, at the election of Loral, be either (i) Cash Consideration or (ii) if in connection with the Loral Only Change of Control the holders of Loral Common Stock received Non-Cash/Mixed Consideration, the Non-Cash/Mixed Consideration (to the extent the Non-Cash/Mixed Consideration consists of more than one type of consideration (e.g. cash and notes), the consideration paid to the Participant shall be the same types of consideration in the same proportion as received by the holders of Loral Common Stock); provided that Loral may, at its option, deliver cash to the Participant in place of some or all of the Non-Cash/Mixed Consideration.

(h) Loral Call Restriction . Should Loral be prohibited by applicable law or prohibited under any agreement (including any credit or other debt agreement) applicable to Loral from paying the Exchange Consideration or acquiring the LCC Put Shares (a "Loral Call Restriction ") (provided that a credit or other debt agreement shall not be considered to create a Loral Call Restriction if the payment of the Exchange Consideration can be effected by application of any provision, election or "basket" available under the agreement, in which case Loral shall be required to effect the exchange of the LCC Put Shares to the extent permitted under such agreement), then Loral shall notify Participant in writing (a "Loral Restriction Notice ") and Loral shall not be obligated to exchange the number of Shares subject to the Loral Call or the Shareholder Backstop to the extent prohibited by the Loral Call Restriction. Until such time, if any, as the LCC Put Right is closed, Loral shall use commercially reasonable efforts to overcome (or obtain a waiver of) any Loral Call Restriction and shall send a subsequent written notice (the "Loral Restriction Elimination Notice ") to the Participant, promptly after Loral determines that the Loral Call Restriction no longer applies. In the case of a Shareholder Backstop, Participant shall then have the right, within seven (7) days from the date of the Loral Restriction Elimination Notice to require Loral to purchase its pro rata share of the LCC Put Shares by delivering a written notice therefor to Loral (the "Loral Restriction Elimination Call "). Upon receipt of any such notice, Loral shall close the Loral Call or its portion of the Shareholder Backstop, as applicable, subject to and in accordance with the provisions of this Section 15 (provided that if Implicit Loral Purchase Price per Telesat Share has already been determined in response to Participant's original LCC Put Notice and there has not been a subsequent Material Change, such determination shall remain valid and the Implicit Loral Purchase Price per Telesat Share will not be determined again).

(i) Closing . The closing of the purchase of the LCC Put Shares, Shareholder Backstop or the Loral Call, as applicable, shall occur as close to contemporaneously with the Loral Only Change of Control as is reasonably practicable. In the case of the Loral Call, Participant shall be deemed to have appointed Loral as his true and lawful attorney in fact to take all such actions and to sign all such documents as are necessary or, in the reasonable view of Loral, desirable in order to effect the closing of the Loral Call, in which case, Loral shall hold the purchase price for such Shares in trust for the Participant, pending acknowledgement in writing of the exchange by the Participant.

(j) Reservation of Rights; Confidentiality . Participant acknowledges and agrees that neither the provision of the Loral Notification nor any communications related thereto between Loral and Participant, nor Participant's delivery of an Exchange Notice in response to the Loral Notification, may affect the right of Loral or the holders of its Common Stock to subsequently determine not to pursue or enter into any agreement or arrangement relating to a Loral Only Change of Control on any terms, or to change the Loral Only Change of Control Consideration. Participant further agrees that Participant (i) will keep the Loral Notification and the matters stated therein or related thereto strictly confidential and not disclose them to any third party, and (ii) upon request from Loral, enter into a customary confidentiality agreement with Loral relating to any information provided in the Loral Notification or otherwise provided by Loral that is related thereto.

16. Special Exercise and Repurchase . In the event that the Participant's employment terminates, other than for Cause or voluntarily without Good Reason, at a time when the Company's common equity securities are not publicly-traded, if the Participant notifies the Company and Loral of his intent to exercise the Tandem SAR at a specific date fifteen (15) to thirty (30) business days after such notice of intent to exercise (with such exercise date being while the Tandem SAR is still exercisable) and the estimated amount of Canadian and United States taxes (with an estimated calculation) that would be due upon such exercise is greater than the Minimum Withholding Amount, the Committee shall promptly notify the Participant of its calculation of the Fair Market Value of the underlying Shares and the number of Shares (the " Gap Shares ") that would be necessary to be purchased by the Company or its Affiliate to enable a Participant to pay additional taxes due in addition to the Minimum Withholding Amount, assuming the date of the giving of the notice was the exercise date (the amount of additional taxes being the " Gap Taxes " and the additional Options that would be need to be exercised to obtain the Gap Shares being the " Gap Taxes Options "). The exercise period on the Gap Taxes Options shall be automatically extended until the earliest of (w) the end of the exercise period for the Option without regard to the termination of employment, (x) sixty (60) days after Special Purchaser or Loral notifies the Participant that it will purchase the underlying Shares of the Gap Taxes Option from the Participant on the date that is six (6) months and one (1) day after the exercise of the Tandem SAR with regard to the Gap Taxes Option (and provides a Confirmation (as defined below) (y) nine (9) months after the Company's common equity securities are publicly-traded, and (z) the Participant's commencement of employment with a Competitor; provided that the foregoing extension shall not apply if, upon receipt of the notice of intent to exercise from the Participant, either (i) the Company confirms in writing (a " Company Confirmation ") that it will have the ability (without creating a default) under its credit agreement (or other debt agreements) to have the Gap Shares purchased (and the subsequent steps taken) through the Special Purchase Right (as described below in Section 17(b)) six (6) months and one (1) day after the date of the exercise or (ii) if it is then a shareholder of the Company, Loral confirms in writing (a " Loral Confirmation " together with a Company Confirmation, a " Confirmation ") that, if the Gap Shares cannot be timely purchased through the Special Purchase Right (as described below in Section 17(b)), it will purchase the Gap Shares six (6) months and one (1) day after the exercise without violating Canadian or other applicable laws regarding its securities ownership of the Company and compliance with other relevant legal requirements or its credit agreements (or other debt agreements). Any Confirmation shall only be effective if delivered by the Company or Loral to the Participant at least five (5) days prior to the proposed exercise date. If a Confirmation is so delivered, the Gap Shares shall be purchased six (6) months and one (1) day after the exercise pursuant to the Special Purchase Right (as described below in Section 17(b)) or by Loral, as the case may be; provided that the Special Purchaser shall not be required to effect such purchase if, as a result of a change in circumstances beyond the reasonable control of the Company, the Special Purchaser is prohibited from making such purchase (or subsequent steps specified in Section 17(b) hereof) by applicable law or such purchase (or subsequent steps) would create a default under a credit agreement (or other debt agreements) of the Special Purchaser or the Company (and Loral shall instead make such purchase, unless Loral is similarly prohibited or would have such a default and was also prohibited or would have had such a default at the time the Confirmation was delivered). If neither Loral nor the Special Purchaser completes the purchase of the GAP Shares as a result of such a prohibition, then the Special Purchaser shall be required to repurchase the GAP Shares as provided above as soon as such restrictions have lapsed (and the Special Purchaser shall provide written notice to the Participant promptly upon such lapse).

17. Restriction on Call Rights and Purchase .

(a) Notwithstanding Section 5.9.3 of the Plan, the call rights of the Company as set out in Section 5.9.3 of the Plan generally shall not apply if the Participant is terminated by the Company without Cause or the Participant's Employment is terminated by the Participant for Good Reason; provided, that (a) such call rights shall fully apply to Shares that have become issuable upon the exercise of the portion of the Award which has vested and become exercisable solely as a consequence of such termination of employment (on the terms specified in Section 5.9.3 of the Plan) and (b) such call rights may be exercised in respect of any Shares held by the Participant during the six-month and one day period commencing on the later of: (i) the date the Board, acting in good faith, becomes aware that the Participant has become employed by, or is otherwise providing services to, a Competitor (as defined in Schedule B hereto) with the date of such determination by the Board being treated under Section 5.9.3 of the Plan as if it was the date of termination of employment (in such case, the call right may be exercised at the Fair Market Value of the Shares on the date of exercise) or (ii) the exercise date of the Award. Notwithstanding Section 5.9.3 of the Plan, in the event that the Participant's employment terminates, other than for Cause or voluntarily without Good Reason, the Company may not satisfy the purchase price under the call rights by issuing a promissory note to Participant. Notwithstanding anything to the contrary in the Plan, any reference to "Grant Date" in Section 5.9.3 of the Plan shall be deemed to refer to "September 17, 2013." In the event the Participant voluntarily terminates employment between September 18, 2015 and September 17, 2016, and if Daniel Goldberg ceased to be employed by the Company for any reason within six (6) months prior to such termination, the provisions of Section 5.9.3 of the Plan shall apply as if the termination was prior to September 18, 2015. Upon exercise of the Company of its call right, such call right shall immediately be deemed to have been assigned to, and exercised by, the Special Purchaser (as described in Section 17(b)).

(b) In the event that (i) the Gap Tax Shares are purchased by the Special Purchaser, or (ii) the Committee delivers to the Participant a notice that the Company is subject to an Applicable Restriction, but the Company gives the Participant written confirmation that the purchase by the Special Purchaser of the Shares represented by the Tandem SAR is permitted, and does not create a default under its or the Company's credit agreement (or other debt agreements), or (iii) the call right of the Company is available pursuant to Section 17(a) and the Company exercises such right pursuant to Section 5.9.3 of the Plan, or (iv) Shares are to be purchased pursuant to Section 15(d), the Special Purchaser shall purchase from the Participant all Shares issuable upon exercise of the Gap Tax Option, or all of the Shares represented by that portion of the Tandem SAR which cannot be exercised pursuant to Section 3(b), or all Shares in respect of which such call rights have been exercised pursuant to Section 5.9.3 of the Plan, or all of the Shares to be purchased as provided in Section 15(d), as the case may be, on the date set out for such purchase in Section 16, or as provided in Section 3(b), or as provided in Section 5.9.3 of the Plan, or as provided in Section 15(d), as the case may be, and for the purchase price therein provided. On such date, the Shares shall be purchased by the Special Purchaser, and shall thereafter be transferred, along with the obligation of the Special Purchaser to pay for the Shares, to a subsidiary of the Special Purchaser, which shall be wound up into the Company. The Company agrees to the acquisition of such subsidiary by the Company from the Special Purchaser for nominal consideration and to the winding up of such subsidiary into the Company. The purchase price for the Shares shall be paid by the Company within ten (10) business days after completion of the winding-up of such subsidiary into the Company, which shall occur promptly after exercising the call right.

18. Fair Market Value .

(a) For purposes of this Agreement, " Fair Market Value " means (a) with respect to Equity Shares, Fair Market Value as defined in the Plan, and for any purposes, including for any call and for purposes of Section 3, Section 12 and Section 15, shall be determined without any discount for minority interest or illiquidity, (b) with respect to any other asset means the amount for which a willing buyer and willing seller would purchase and sell the asset in an efficient market, and (c) with respect to any liability means the amount which a willing creditor would accept to discharge such liability and which a willing debtor would pay to discharge such liability in an efficient market.

(b) The " Loral Stake FMV " means: (i) the Fair Market Value of the total consideration that is to be paid to the holders of Loral equity in the Loral Transaction, plus (ii) the Fair Market Value immediately prior to closing on the date of the closing of a Loral Transaction of any indebtedness of Loral incurred to fund cash distributions to the holders of Loral equity, less (iii) the amount, if any, by which the Fair Market Value of Loral's assets (excluding the Equity Shares) exceeds the Fair Market Value of Loral's liabilities (other than liabilities included in clause (ii) above). Loral shall cooperate with the Board in its determination of Fair Market Value for purposes of Sections 12, 15 and 18.

(c) If the Participant or Loral (with respect to Fair Market Determinations for the purposes of Section 12, 15 and/or 18) does not agree with the Fair Market Value as determined by the Board pursuant to the Plan and this Section 18, the Participant or Loral, as the case may be (the " Objector ") shall notify the Board in writing of such objection within fifteen (15) days of receipt of written notice of such Fair Market Value, and shall provide to the Board his own determination of Fair Market Value in writing no later than thirty (30) days of such receipt. The Board shall submit the determinations of Fair Market Value to an investment banker or valuation service agreed upon in good faith by the Board, Loral and the Participant (an " Appraiser ") to choose one of the determinations as the most appropriate valuation of the Fair Market Value of the Shares. All fees of the Appraiser shall be paid (a) by the Company if the Appraiser chooses an Objector's determination of Fair Market Value, and (b) by the Objector if the Appraiser chooses the Board's determination of Fair Market Value. For the avoidance of doubt, the provisions of this paragraph (c) shall also apply to the determination of the Loral Stake FMV.

19. Dividends. In the event that the Company pays a dividend to the holders of its Equity Shares, the Board will provide for the crediting of a notional account established on the books and records of the Company (the "Notional Account") for the Participant (but such Notional Account shall not be established and the Participant shall have no rights hereunder to the extent it would not be permitted under Section 409A of the Code) an amount equal to (a) the per-share dividend payable to holders of its Equity Shares multiplied by (b) the number of Shares subject to the Award on the payment date; provided, that, notwithstanding the foregoing, the Participant may elect, upon notice of an impending dividend, and in lieu of some or all of the amount credited to the Notional Account, to have the Board adjust in its good faith determination the (i) Exercise Price with respect to the Option, (ii) the SAR Base Price with respect to the Tandem SAR, and/or (iii) the number of Shares subject to the Award, or to have the Board otherwise substitute such Award, in any case so as to prevent dilution or enlargement of rights, and provided that such adjustment or substitution, and any election to adjust or substitute, is done in accordance with and only to the extent permitted by the provisions of (1) Sections 409A and 424 of the Code, to the extent the Participant is subject to taxation in the U.S., and/or (2) Sections 7(1.4) or proposed Sections 110(1.7) and (1.8), to the extent such Sections become effective and apply to any such adjustment or substitution, of the Income Tax Act (Canada), to the extent the Participant is subject to taxation in Canada. Amounts credited to the Participant's Notional Account will be distributed at the time of vesting of the Award. On the date and to the extent a portion of the Award is forfeited, a Participant will forfeit any amounts remaining in his Notional Account and which are attributable to such forfeited portion of the Award.

20. Share Repurchasing. In the event the Company repurchases or offers to repurchase its Shares from both Loral or PSP or their respective Affiliates, or their respective permitted transferees, on a substantially *pro rata* basis, the Company shall also offer to repurchase Shares from Participant on the same basis to the extent such offer is legally permitted. Such *pro rata* portion shall be based on all Shares issued to Participant and all Awards outstanding that were granted to Participant, whether vested or unvested. Participant shall accept such offer within ten (10) business days of its being made or shall be deemed to have rejected such offer and, if accepted, the sale and purchase shall close at the same time as the closing of the stock purchase from Loral and PSP or their respective Affiliates. To the extent necessary to permit the sale, additional Awards shall vest in order of the next vesting tranches.

21. Taxes and Withholding. No later than the date of exercise of the Award granted hereunder, the Participant shall pay to the Company or make arrangements satisfactory to the Board regarding payment of any Canadian federal, provincial, and local taxes, and any U.S. taxes applicable to the Participant, of any kind required by law to be withheld upon the exercise of such Award. In the event the Participant exercises the Tandem SAR, then the Participant shall satisfy the Minimum Withholding Amount due upon exercise of the Tandem SAR by having the Company remit to the appropriate taxing authority the cash to which the Participant is entitled upon exercise of the Tandem SAR pursuant to Section 3 above. Notwithstanding the foregoing, the Company shall, to the extent permitted or required by law, have the right to deduct from any payment of any kind otherwise due to the Participant any Canadian federal, provincial, and local taxes and any applicable U.S. taxes of any kind required by law to be withheld upon the exercise of such Award.

22. Integration. This Grant Agreement, and the other documents referred to herein or delivered pursuant hereto which form a part hereof, including the Employment Agreement, contain the entire understanding of the parties with respect to its subject matter. There are no restrictions, agreements, promises, representations, warranties, covenants or undertakings with respect to the subject matter hereof other than those expressly set forth in this Grant Agreement, in the Employment Agreement and in the Plan. This Grant Agreement, the Employment Agreement and the Plan, supersede all prior agreements and understandings between the parties with respect to its subject matter.

23. Counterparts. This Grant Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

24. Governing Law. This Grant Agreement shall be governed by and construed and enforced in accordance with the laws of the Province of Ontario, Canada without regard to the provisions governing conflict of laws.

25. Participant Acknowledgment. The Participant hereby acknowledges receipt of a copy of the Plan, including the Accession Agreement attached thereto as Exhibit A. The Participant hereby acknowledges that all reasonable decisions, determinations and interpretations of the Board in respect of the Plan, this Grant Agreement and the Award shall be final and conclusive. The Participant further acknowledges that, prior to the existence of a Public Market, no exercise of the Award or any portion thereof shall be effective unless and until the Participant has executed an Accession Agreement and the Participant hereby agrees to be bound thereby. The Participant acknowledges that, among other provisions, the Plan contains a “call-right” and agrees that such “call-right” may be exercised by the Company or its designee (with the Company having the right to enforce the right of the designee).

26. Limitation on Liability. The Participant acknowledges that only the Special Purchaser, its subsidiary to which the Share and the obligations to pay for the Shares are transferred and the Company shall be liable or responsible to the Participant in respect of the purchase of the Shares under the provisions of this Agreement related to actions of the Company, the Special Purchaser and its subsidiary, and no direct or indirect shareholder of the Special Purchaser or any director or officer of the Special Purchaser or such subsidiary shall be liable with respect thereof (except as expressly provided hereunder).

IN WITNESS WHEREOF, the Company, Participant, Loral, and PSP have each caused this Grant Agreement to be duly executed by its duly authorized officer and said Participant has hereunto signed this Grant Agreement on his own behalf, thereby representing that he has carefully read and understands this Grant Agreement, the Plan and the Accession Agreement.

Telesat Canada

Date: August 25, 2017 By: /s/ Chris DiFrancesco

Loral Space & Communications Inc.

Date: December 15, 2017 By: /s/ Avi Katz

Public Sector Pension Investment Board

Date: December 5, 2017 By: /s/ Guthrie Stewart
Senior Vice President, Global Head of Private Investments

/s/ David Morin
Director, Private Equity

4440480 Canada Inc.

Date: December 15, 2017 By: /s/ Avi Katz

Date: August 31, 2017 /s/ Michel Cayouette
Michel Cayouette

SCHEDULE A

VESTING

VESTING DATE	**# OF SHARES**
September 17, 2017	72,000
September 17, 2018	60,516
September 17, 2019	26,400
September 17, 2020	26,400
September 17, 2021	26,400

SCHEDULE B

TO THE GRANT AGREEMENT

The Participant may not transfer any Shares or other securities received upon the exercise of the Award, or Shares resulting from the conversion of the Shares into other Equity Shares, or any interest therein, (in this Schedule B, " Shares ") to any person except as permitted herein:

(i) The Participant may transfer Shares to a Permitted Transferee as defined in Section 5.5 of the Plan (with the prior consent of the Board, which consent may be withheld in the Board's sole discretion), or to a Canadian immigration trust, subject to compliance with the conditions precedent set out in Section 5.6 of the Plan, modified as need be to contemplate a transfer of Shares, instead of a transfer of an Award;

(ii) Prior to the completion by the Company of an Initial Public Offering for Equity Shares of the Company, there shall be no transfer of Shares except as provided in (i) above, or as otherwise expressly provided in the Grant Agreement.

(iii) After the completion of an Initial Public Offering for Equity Shares of the Company, the Participant shall be entitled to sell without restriction the Selldown Percentage of Shares acquired by the Participant upon exercise of the Award (and Shares subject to the Award which have vested). The "Selldown Percentage" shall equal (a) the percentage of all Equity Shares as shall have been sold by PSP or Loral (and their Permitted Transferees as defined in the Accession Agreement) in the Initial Public Offering or after the Initial Public Offering (other than sales to PSP, Loral or a Permitted Transferee as defined in the Accession Agreement) relative to the number of Equity Shares held by PSP and Loral immediately prior to the Initial Public Offering or (b) 100% if PSP, Loral and their Permitted Transferees (as defined in the Accession Agreement) cease to hold at least 70% of all Equity Shares following the Initial Public Offering.

(iv) The Participant shall be entitled to participate in any public offering of Common Shares of the Company including an initial public offering in the manner provided in Sections 6.03 and 6.04 of the Unanimous Shareholders Agreement, but with the status only of "Included Holder" as defined in Section 6.03, provided that in no event shall the number of shares subject to such participation exceed the Selldown Percentage.

(v) References on this Schedule to PSP or Loral shall also include their respective subsidiaries owning Equity Shares.

(vi) Definitions:

"Competitor" is any corporation, firm, partnership, proprietorship or other entity which engages in the Satellite Business (as defined below) in any of the same countries, states, provinces or other political subdivisions of countries in which the Company or its Subsidiaries are engaged in the Satellite Business as of the date of Participant's termination of employment and is a material competitor of the Company (or its Subsidiaries) in such countries, states, provinces or other political subdivisions of countries with respect to a material amount of Satellite Business of the Company and its Subsidiaries (what is material being determined based on the 5-year business plan in effect for the Company and its Subsidiaries as of the date of Participant's termination of employment).

"Satellite Business" shall mean the business of communication of electronic video, data, voice or other information by transmission by satellite operating in the Fixed Satellite Service frequencies for hire in any of the geographic areas in which the Company or its Subsidiaries operate such Fixed Satellite Service frequencies as of the date of Participant's termination of employment.

Exhibit 14.1

Loral Space & Communications Inc.

CODE OF CONDUCT

Revised
as of December 8, 2017

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1. INTRODUCTION

This Code of Conduct (this "Code") sets forth the legal and ethical standards to which all directors, officers, employees, temporary employees, independent contractors and consultants in their capacity as such (the "associates") of Loral Space & Communications Inc. and its subsidiaries ("Loral" or the "Company") are required to adhere. All associates are expected to comply with this Code. This Code serves as a guide to associates for the proper recognition and resolution of ethical and legal issues encountered in conducting the Company's business and in making decisions that conform to ethical and legal standards. This Code may be modified from time to time, without prior notice, as the Company's Board of Directors deems appropriate.

A. General Policy

It is the standard of conduct and express policy of Loral that all dealings with our customers, suppliers, competitors, partners and co-workers are conducted with the highest level of ethical behavior and in complete compliance with the spirit and the letter of applicable laws and regulations. This is important in our dealings with commercial companies as well as with the United States government and foreign governments.

Improper activities, or even the appearance of impropriety, could result in serious consequences to the Company and the associates involved in such activities. An associate's adherence to this policy is a significant indicator of the individual's judgment and competence and will be taken into consideration when evaluating future assignments and promotions. Insensitivity to, or disregard for, the principles set forth in this Code will be grounds for appropriate disciplinary action, including dismissal.

Loral's objective is to excel as a responsible and reputable business. In attaining this objective, no associate shall, on behalf of Loral or while a Loral associate, engage in any conduct that violates any law or is otherwise inconsistent with the highest levels of honesty and integrity. Complex laws and regulations govern the environment in which Loral does business. This Code outlines key aspects of those laws and regulations as well as relevant Loral policy.

Individual associates may require additional training in certain areas to ensure compliance. If, for example, you have contact with representatives of foreign organizations, you must ensure that you are familiar with import and export regulations, embargo and trade sanction laws and the provisions of the Anti-Boycott Act and the Foreign Corrupt Practices Act. If you have any questions about the applicability of any laws to your actions, you should consult with Loral legal counsel.

B. Scope

Associates with supervisory responsibilities must ensure that employees under their direction or control are acquainted with this Code. Directors and officers should also be aware that there are special legal requirements not covered by this Code that apply to corporate fiduciaries. Conduct contrary to these guidelines is outside the scope of any employee's employment.

In addition to compliance with all legal requirements, each Loral associate must adhere to the overriding ethical and professional standards that generally govern the conduct of business. The Company's interests are not served by any unethical practice or activity even though such practice or activity may not be in technical violation of the law. The scope of this Code may not include all Loral policies and practices to which associates are required to adhere. In instances in which other such policies and practices appear to conflict with those set forth in this Code, associates must follow the more restrictive policy or practice.

Associates should consider this Code as a baseline, or a minimum requirement, which must always be followed. If at any time you are in doubt about whether a particular provision applies to your conduct or about any aspect of your compliance responsibilities, you should contact your manager or supervisor, or use other resources described in this Code to address your concern.

C. Violations of the Code

Any violation of the applicable laws and regulations or principles of ethics set forth in this Code will be grounds for disciplinary action or discharge from employment and may subject the associate or former associate to civil liability and/or criminal prosecution under applicable law. Disciplinary action may be taken not only against those who authorize or participate directly in such violation, but also against: (i) any associate who deliberately fails to report a violation as required by the policy; (ii) any associate who deliberately withholds material and relevant information concerning a violation; or (iii) the violator's supervisor and manager, to the extent that there is inadequate leadership, supervision or diligence.

Please see Section 7 of the Code below for procedures for reporting of violations.

2. EMPLOYMENT PRACTICES

A. Equal Employment Opportunity; Non-Discrimination; Harassment

Loral is committed to ensuring equal employment opportunity for all associates, including qualified employment applicants. The company maintains its employment practices and its environment free of discrimination based on race, color, religion, gender, national origin, ancestry, age, disability, veteran or marital status, sexual orientation, partnership status, gender identity, alienage or citizenship status, actual or perceived status of a victim of domestic violence, or as a victim of sex offenses or stalking or any other protected category or characteristics under law.

Any associate who has a question or concern regarding the company's employment practices policy should direct his or her inquiry to Daniel Medina at the corporate office, his or her direct manager, or any member of the management or executive management team who will answer or address the question or concern. Any applicant or associate filing a complaint or assisting in the investigation of a complaint is protected from retaliation, coercion, intimidation, interference and discrimination.

Policy against workplace harassment

Loral is committed to maintaining a productive work environment in which all individuals are treated with mutual respect and dignity. Each associate is required to contribute to a professional atmosphere that promotes equal opportunity and nondiscriminatory practices. In keeping with this commitment, harassment and inappropriate conduct of any form will not be tolerated.

Associates are required to exhibit, in their conduct and communications, sound judgment and respect for every other associate and all other persons (i.e., vendors, customers, building staff) with whom the company does business. Insulting, degrading, exploitative or discriminatory treatment, whether verbal or physical or written, electronic or otherwise, will not be tolerated.

Similarly, inappropriate conduct directed to our associates by outside vendors, consultants or customers will not be tolerated.

Sexual harassment

Loral does not tolerate workplace sexual harassment and considers it to be a serious offense.

Sexual harassment is unwanted sexual attention of a persistent or offensive nature made by a person who knows, or reasonably should know, that such attention is unwanted. Sexual harassment includes sexually oriented conduct that is sufficiently pervasive or severe to unreasonably interfere with an employee's job performance or create an intimidating, hostile, or offensive work environment. While sexual harassment encompasses a wide range of conduct, some examples of specifically prohibited conduct include:

- Promising, directly or indirectly, an employee a reward if the employee complies with a sexually oriented request
- Threatening, directly or indirectly, to retaliate against an employee if the employee refuses to comply with a sexually oriented request
- Denying, directly or indirectly, an employee an employment-related opportunity if the employee refuses to comply with a sexually oriented request
- Engaging in sexually suggestive physical contact or touching another employee in a way that is unwelcome
- Displaying, storing, or transmitting pornographic or sexually oriented materials using company equipment or facilities, including email
- Indecent exposure
- Making sexual or romantic advances toward an employee and persisting despite the employee's rejection of the advances

Sexual harassment may involve individuals of the same or different genders and is prohibited whether directed toward men or women. Sexual harassment can be physical and/or psychological in nature.

Other forms of harassment also prohibited

To the same degree as sexual harassment, this policy also prohibits harassment or other inappropriate conduct on the basis of race, color, religion, gender, national original, ancestry, age, disability, veteran status, marital status, sexual orientation, citizenship or any other protected category or characteristics.

B. Environmental Safety

Loral is committed to achieving the highest standards of safety, health and environmental performance at all of its facilities. It is the responsibility of each associate to follow the rules and procedures established at each facility to achieve these safety, health and environmental goals. Associates must immediately report any incident of non-compliance or any unsafe condition to the facility's environmental, health and safety coordinator.

3. BUSINESS CONDUCT OF ASSOCIATES

It is every associate's responsibility to read, understand and comply with this Code. Further, each associate is responsible for knowing his or her job and what it takes to comply with the rules and regulations relating to the performance of that job. Managers, supervisors and employees jointly share the responsibility of identifying training needs required to assist employees in job performance and in complying with this Code. If an associate wishes to obtain guidance on the interpretation or application of this Code or applicable laws and regulations, he or she may contact any one of the sources listed under the heading "Reporting Violations."

A. Compliance with Laws, Rules and Regulation

Obeying the law, both in letter and in spirit, is the foundation on which Loral's ethical standards are built. All associates must respect and obey the laws of the cities, states and countries in which Loral operates. Although not all associates are expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers or other appropriate personnel.

Loral will not knowingly assist other persons or entities with which we have business dealings in violating any law or regulation. For example, we will not misrepresent or confirm facts known to be false to the auditors of a customer or supplier for the purpose of allowing the customer or supplier to prepare false financial statements or financial information.

We specifically direct the associates' attention to Section 7, which describes some of the requirements of the Foreign Corrupt Practices Act, U.S. export control laws and economic sanctions measures that may be applicable to the associates.

If necessary, Loral will hold information and training sessions to promote compliance with laws, rules and regulations, including insider-trading laws.

B. Avoidance of Personal Conflicts of Interest

A personal conflict of interest exists when a person's private interest interferes in any way with the interests of the Company. A conflict situation may arise when an associate takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interests may also arise when an associate, or members of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, associates and their family members may create conflicts of interest.

Loral associates must observe high standards of conduct and integrity in their relationships with outside organizations. They must refrain from having any financial or other interest in or relationship with an organization that competes with or does business with Loral. Not only must associates avoid unethical business practices and favoritism, they should also avoid outside activities and financial interests that might create that perception.

It is Loral's policy to respect the rights of associates to engage in outside activities that do not conflict with their positions as associates. However, when an outside activity or financial interest involves an organization with which the Company does business, good judgment is required to avoid any basis for conflict of interest. No associate may, without being granted an exception, acquire or retain, either directly or indirectly, the following financial interests in an organization that competes with, does business with, or seeks to do business with Loral:

- Any interest as a proprietor or partner in such an organization;
- The ownership of, or right to acquire, stock or bonds of such an organization that is a privately held corporation; or
- With respect to a publicly-owned corporation five percent (5%) or more of the revenues of which are derived from Loral, the ownership of, or right to acquire, stock or bonds in an amount in excess of the lesser of (i) $25,000 or (ii) 1% of the total securities of such publicly owned corporation.*
- Associates may not compete with Loral directly or indirectly. Associates owe a duty to Loral to advance its legitimate interests when the opportunity to do so arises.

Each associate shall report to the chairperson of the Audit Committee of the Board of Directors or the Loral Legal Department the details on any of the financial interests described above that are held or acquired, directly or indirectly, by himself or herself or any family member, to the extent known by the associate.

* This restriction does not apply to employees who come to Loral from other companies and who hold shares of those companies' stock in a savings plan or stock ownership plan. This exception only applies to stock that was owned by the employee prior to his or her employment with Loral, and that is held in those investment instruments. Subject to the terms of the plan document, such employees may keep stock that is in those investment instruments and any stock dividends paid from those remaining in those investment instruments.

The following restrictions also apply to associates:

- No associate may serve as an officer or director of any firm without prior approval by the chairperson of the Audit Committee of the Board of Directors or president of Loral.
- No associate may undertake employment with, or furnish services as a consultant or other representative to another firm, unless approved in writing by the chairperson of the Audit Committee of the Board of Directors or president of Loral.
- Employment of an associate's spouse or other immediate family member by an organization with which Loral competes or does business could provide the basis for criticism, and any such employment situations should be reported to the chairperson of the Audit Committee of the Board of Directors or president of Loral.

Notwithstanding the foregoing, the provisions of this Section 3.B. shall not apply to Loral's non-employee directors. A non-employee director shall, however, promptly notify the Board of Directors if he or she or a member of his or her immediate family commences (x) service as an officer or director of any Competitor or (y) employment with, or the furnishing of services as a consultant or other representative to, any Competitor or otherwise enters into an agreement with a Competitor to do any of the foregoing. For purposes of this paragraph, "Competitor" shall mean any of the following: (i) SES S.A., Intelsat Global S.A. and Eutelsat S.A.; (ii) a business that is principally engaged in the business of fixed satellite services; or (iii) a business other than fixed satellite services in which the Company is principally engaged. Loral reserves the right to change this list at any time. For the avoidance of doubt, any such non-employee director (x) shall not be required to obtain any approval from Loral prior to or in connection with, nor shall he or she be prohibited from engaging in, any of the activities described in this paragraph and (y) may continue to serve as such non-employee director of Loral notwithstanding his or her engagement in the activities described in this paragraph subject to his or her compliance with applicable legal requirements.

C. Corporate Opportunities

Associates are prohibited from taking personal advantage of opportunities that first become known through employment or association with Loral or are otherwise discovered through the use of Loral property, information or position without the consent of the Board of Directors. Specifically:

- Associates should not place themselves in a situation in which they may profit from a business opportunity if the circumstances indicate that the opportunity should have been made available to Loral. In general, a business opportunity which might reasonably be expected to be of interest to Loral should be brought to the attention of management for a determination of whether Loral wishes to pursue it.

- Associates may not use facilities or equipment of Loral in the pursuit of personal interest or profit. Associates who are on paid Loral time should be involved only in the business of Loral.

- Associates may not compete with Loral directly or indirectly. Associates owe a duty to Loral to advance its legitimate interests when the opportunity to do so arises.

D. Insider Trading

Loral has adopted an Insider Trading and Confidentiality Policy with respect to the trading by associates of securities issued by the Company and the receipt and use of material non-public information by associates. Associates should refer to and must abide by this policy.

E. Proprietary Information/Trade Secrets

Loral proprietary information consists of any information and data possessed by and in the control of the Company that may be valuable to it in its business. Such information must not be disclosed to others, except as required by law or permitted by the Company, because doing so could disadvantage Loral competitively or financially; because the information could hurt or embarrass, customers, suppliers, joint venture partners or the Company; or because the information belongs to others, and we have agreed to keep it private. When there is a legitimate business need to disclose proprietary information outside Loral, a non-disclosure agreement may be appropriate. For more information and prior to disclosure, contact Loral legal counsel.

Proprietary information includes, but is not limited to:

- Loral research and development, such as inventions, manufacturing processes, patent applications, and engineering and laboratory notebooks (see below);

- Customer and employee lists and records;

- Business strategies, business results, unannounced products or services, marketing plans, pricing and financial data;

- Cost information, such as overhead or other indirect rate information, salaries, estimates, etc.;

- Non-public information about products or services, including hardware and software specifications and designs;

- Confidential organizational information; and

- Information disclosed by other parties pursuant to a non-disclosure agreement.

Proprietary information may exist as reports, manuals, charts, computer disks, drawings, specifications, photographs, films and correspondence. Hardware, equipment or materials embodying proprietary information and data may also be treated as proprietary information.

Each associate is responsible for ensuring that proprietary information is protected from theft, damage, unauthorized disclosure or inappropriate use. Always store such information in a safe place and follow security procedures for the computer systems used. Remember that you can be overheard in public places and when using portable communications devices. Do not discuss Loral proprietary information with family or friends; they may not understand its significance and may inadvertently pass it on to someone who should not have it.

i. “Patentable” Inventions

A “patentable” invention is one that constitutes a new, useful and unobvious machine process, article of manufacture, composition of matter, or improvement thereof (including software). All inventions made or conceived by employees in the course of, or as a result of their employment, are the exclusive property of Loral and are to be promptly disclosed in writing and assigned to the Company.

Employees are responsible for maintaining a laboratory notebook to record concepts, ideas and related work, together with the recording of progress on technical efforts, in order to establish priority of invention, provide a basis for patent coverage and protect future proprietary rights of the Company.

Licenses and copyrights obtained by employees in the course of, or as a result of their employment, are the exclusive property of Loral and are to be promptly disclosed in writing and assigned to the Company.

ii. Copyrighted Works

Copyright laws protect the original expression in, among other things, written materials, works of art and music, and prohibit their unauthorized duplication, distribution, display and performance. This means that we may not reproduce, distribute or alter copyrighted materials from books, trade journals, computer software or magazines, or play records, tapes, discs or videotapes, without permission of the copyright owner or its authorized agents. Software used in connection with Loral’s business must be properly licensed and used only in accordance with that license. Using unlicensed software could constitute copyright infringement.

F. Fair Dealing

We believe our reputation for integrity is our most important asset. We must deal fairly with customers, vendors and competitors and fulfill our obligations even when they are detrimental to our profitability. All estimates and commitments to both customers and co-workers should be made with the expectation that they will be achieved.

We seek to outperform our competition fairly and honestly. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent or inducing such disclosures by past or present associates of other companies is prohibited. Each associate should endeavor to respect the rights of and deal fairly with Loral's customers, suppliers, competitors and associates. No associate should take unfair advantage of anyone with respect or relating to Loral business through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice.

All associates must comply with antitrust and related competition laws in jurisdictions in which we do business. These laws in the United States and other countries typically restrict and/or regulate competitive business practices in order to preserve fair, honest and vigorous competition. Violations of these laws may result in damage to our reputation, severe monetary penalties and criminal penalties for those involved. Associates should not seek price information from a competitor; discuss the Company's current or future plans or pricing with a competitor; share confidential Company information with a competitor; agree with one or more competitors on any decision or course of action; seek to raise a competitor's cost of doing business or to restrain a competitor from doing business; or otherwise engage in any course of action that is or could be perceived to be anti-competitive. If an associate is unsure whether a communication is anti-competitive, the associate should consult a supervisor or member of the Company's legal department.

G. Entertainment, Gifts and Gratuities

It is Loral's policy that all dealings with other organizations be conducted with the highest ethical behavior and in complete compliance with applicable laws and regulations. Our business transactions should always be free from even a perception that favorable treatment was sought or received, offered or solicited by gifts, favors, hospitality, entertainment or similar gratuities. While there are certain circumstances under which it is permissible to furnish or accept such items, every employee is expected to follow a course of action that complies with the following guidelines.

No associate may solicit, directly or indirectly, for his or her benefit or for the benefit of another person, any gift, favor or other gratuity from a person or organization with which the Company does business or that seeks to do business with the Company. Soliciting a gift, favor or other gratuity is strictly prohibited regardless of the nature or value of the item or service.

No Loral associate may accept any gratuities (monetary or non-monetary), gifts or favors, except for ordinary items of nominal value, from a person or organization that conducts business with the Company or seeks to do business with the Company. Items of nominal value are considered to be normal sales promotion, advertising or publicity items, with the provider's logo, *e.g.* , calendars, ball point pens, coffee cups, etc., with a retail value not exceeding $75. Exceptions to this policy require prior approval of the Legal Department and must be based on a legitimate business interest of the Company and may not be in violation of the law, regulation or other authority. Loral associates may accept a meal, drink or entertainment from such persons or organizations only if these courtesies are unsolicited, infrequently provided and reasonable in amount. Associates should reciprocate if and when appropriate, except with respect to offering things of value to government personnel, discussed in section 3.I.i below.

Loral associates should never offer any type of business courtesy to a customer for the purpose of, or in exchange for, obtaining favorable treatment or advantage. Except for restrictions that apply when dealing with government representatives, associates may pay for reasonable business-related meals, refreshments and/or entertainment expenses for customers and suppliers that are incurred only occasionally, are not requested or solicited by the customer and are not intended to or could not reasonably be perceived as affecting business decisions.

H. Marketing Activities

Loral supports vigorous competition. We believe that enduring customer relationships are built on integrity and trust. We seek to gain advantage over our competitors only through superior research, engineering, manufacturing and marketing. It is our intention to win business through excellent products and services, never through unethical or questionable business practices. The marketplace requires the gathering of a wide range of information in a systematic and legal manner. This information provides an understanding of the industry structure and customer requirements for existing or potential products and services of Loral. It is the policy of Loral that its associates, agents and other representatives will gather only information to which the Company is legally entitled. Loral will neither seek nor accept any information that is prohibited from disclosure by law, regulation or policy of the customer. Associates must not:

- seek special treatment or data that are otherwise restricted;
- attempt to improperly influence specifications to gain unfair advantage or limit competition; or
- seek access to classified or officially restricted information.

There must be no exchanges of unauthorized or so-called inside information or attempts to induce competitor or government employees to violate the laws or their standards of conduct by seeking information they cannot properly release or provide. There are severe sanctions available to the government when the laws on procurement integrity are violated.

I. Special Requirements When Marketing and Contracting with the Federal Government

Law forms a foundation for Loral's business activities. We must conduct business in accordance with the laws of the cities, states and countries where we operate. In dealings with the United States government, Loral associates and other representatives who perform legislative liaison, marketing, proposal and/or contract activities should be especially sensitive to the following requirements:

i. Gifts and Gratuities to Government Personnel

The Company must comply with special standards of conduct in contracting with the federal government. Government representatives shall not be offered or given, either directly or indirectly, anything of value that they are prohibited from receiving by applicable law or agency regulations. Political appointees in the executive branch of the U.S. government may be subject to special ethics rules established by executive order of the President. Loral associates dealing with representatives of a particular federal agency are responsible for complying with that agency's standards of conduct. Where there is a question as to a particular agency's requirements under its standards of conduct, associates must contact Loral legal counsel for guidance.

Except as otherwise permitted by law or regulation, Loral associates are prohibited from paying for meals, refreshments, entertainment, travel or lodging expenses for any U.S. government employee or representative. One exception is that, unless otherwise prohibited by law, regulation or Executive Order, unsolicited items of less than $20 in value may be provided to government employees, such as a meal provided on-site to accommodate continuing business meetings with government employees, so long as items of value totaling no more than $50 are given by Loral to any single government employee in a calendar year. Loral associates doing business with state or local government officials are responsible for knowing and adhering to the rules that may apply to such state or local government employees.

In certain instances where customs in foreign countries require the exchange of gifts, the Company may provide or accept the gift with approval of the Legal Department. Any gifts, other than those of nominal value received from representatives of these countries, will become Company property.

ii. Lobbying the Federal Government

When engaging in lobbying activities with the federal government, Loral associates must comply with the Lobbying Disclosure Act of 1995 ("Lobbying Act"), the Byrd Amendment and related regulations. Lobbying activities are defined as any oral or written communication to certain executive and legislative officials made on behalf of a client with regard to certain federal matters and efforts in support of such communications, including preparation and planning activities, research and other background work, with some exceptions.

The Lobbying Act is primarily a registration and reporting statute, which requires lobbyists (individuals or entities) to register with Congress and to submit quarterly disclosure reports of lobbying activities and semi-annual reports of certain campaign contributions. When a company registers on behalf of its employees who are lobbyists, the company completes the quarterly disclosure report filing requirement. The company and each individual lobbyist must also file a semi-annual contribution report, even if no contributions were made during the reporting period. The Lobbying Act also imposes additional restrictions on lobbyists and their employers, including Loral, with respect to gifts and travel offered to members of Congress and their staffs.

The Byrd Amendment both prohibits certain lobbying activity and requires reporting of other lobbying activity. The Byrd Amendment prohibits the use of funds received through government appropriations from being expended on certain lobbying activities. The Byrd Amendment also requires government contractors to file disclosure reports of lobbying activity to government agencies when requesting or receiving certain federal contracts, grants, loans or cooperative agreements.

Finally, certain lobbying costs are unallowable under the Federal Acquisition Regulation.

Loral associates must learn and adhere to these laws and regulations if they intend to engage in any lobbying activity with the federal government and must maintain complete and accurate records of all lobbying activity. Loral associates who intend to lobby state or local governments are responsible for knowing and adhering to the laws that may apply to such activities including, where applicable, any associated state or local “pay-to-play” rules affecting businesses seeking or having contracts with a state or local government.

iii. Restrictions on Obtaining Contractor Bid and Proposal or Government Source Selection Information

Federal law prohibits contractors, their employees, representatives, agents and consultants from obtaining contractor bid and proposal or government source selection information related to any federal agency procurement before award of the contract.

A contractor’s bid or proposal information includes, but is not limited to, any of the following information submitted to a federal agency in connection with a bid or proposal that has not been made available to the public:

- Cost or pricing data;
- Indirect costs and direct labor rates;
- Manufacturing or other processes;
- Proprietary information;
- Information marked “contractor bid or proposal information” in accordance with applicable law or regulation or marked with any other appropriate restrictive or proprietary language under applicable laws or regulations.

Government source selection information includes, but is not limited to, the following information prepared for use by a federal agency for the purpose of evaluating bids or proposals, if the information has not been publicly disclosed:

- Independent government cost estimates;
- Bid prices submitted to an agency or lists of those bid prices;

- Proposed costs or prices submitted to an agency or lists of those costs or prices;
- Source selection plans or technical evaluation plans;
- Technical evaluations, cost or price evaluations, competitive range determinations, rankings of bids, proposals or competitors or reports and evaluations of source selection panels, boards or advisory councils;
- Other information marked as "Source Selection Information" according to applicable laws and regulations.

If any doubt exists as to whether a particular piece of information may be rightfully obtained, the Loral associates or representatives who wish to obtain such information that has not been publicly released should first contact Loral's legal department. Further, unauthorized offers to provide proprietary or source-selection information must be refused and immediately reported to Loral legal counsel. Consequences for violations may include, but are not limited to, civil or criminal penalties, suspension or debarment and/or exclusion from the particular procurement. Individual liability may also attach to such violations, resulting in potential civil or criminal penalties and/or suspension or debarment.

In addition to the restrictions discussed above, Loral associates should also be aware of "organizational conflicts of interest." An example of this is the doctrine of "unfair competitive advantage." This body of law provides that an offeror, in the context of a federal government procurement, may not obtain a competitive edge by allowing a former government employee to participate in the proposal preparation process, if that individual had access while employed by the government to non-public confidential or proprietary information that bears on the procurement. Such information may include the government's procurement planning materials or pricing or other data about a competitor. Moreover, to the extent the former government employee had access to this type of relevant information, that knowledge may be imputed to the rest of the Company unless certain formal precautions are taken, such as a firewall. Additional information on organizational conflicts of interest is provided in section vii. below. Restrictions on employment discussions and hiring of government personnel are discussed in detail in the next section. Contact the Loral Legal Department to discuss appropriate measures concerning the hiring and work assignments of former government personnel.

iv. Employment Discussions and Hiring Government Personnel

Loral associates must comply with two types of restrictions in this complex area of law: (1) restrictions on holding employment discussions with certain government personnel; and (2) restrictions on the types of tasks or assignments that current or former government personnel may perform for a private employer. Even if the revolving door laws permit discussions, no Loral associate should ever make employment discussions or employment contingent upon the government employee providing information to Loral that the Company is not authorized to receive.

Loral associates are prohibited from holding employment discussions with certain government personnel who are participating personally and substantially in matters that may affect the Company's financial interests, including federal procurements in which Loral is a bidder or offeror. Employment discussions include a broad range of conduct, such as e-mail correspondence, the exchange of a resume or a conversation over lunch in which the possibility of employment is discussed. References to salary or other terms of employment are not necessary for a communication to constitute employment discussions. Loral associates must know and adhere to the relevant laws if they intend to engage in employment discussions with government personnel.

In addition, even if Loral is permitted to discuss employment with a particular government employee, certain current or former government personnel are restricted from working on certain matters or contracts on behalf of private employers. These restrictions may depend on the type of position, grade level or responsibility the government employee had while working in the government and can last for one year, two years or a lifetime.

The employment discussion and hiring restrictions for federal government personnel are complex; therefore, any questions should be presented to your supervisor or manager to obtain appropriate advice and guidance.

Sanctions available to the government for violations in this area include criminal and civil penalties, exclusion from the procurement competition, cancellation of the contract, and suspension and debarment from doing business with the government. These sanctions may be applied by the government to the Company, the government employee or the Company associate involved, as appropriate.

v. Truth in Negotiations Act

All proposals submitted to the U.S. government must comply with provisions from the Federal Acquisition Regulation (FAR) that are contained in the solicitation and resulting contract. Some contracts and contract modifications are subject to the data disclosure requirements under the Truth in Negotiations Act.

Where cost or pricing data are required to be submitted by the Company, such data must be accurate, complete and current as of the date of final agreement on price. Whether you are the contract negotiator, the cost estimator or the person responsible for furnishing the data to the cost estimator, you must ensure that the Loral data meet these FAR requirements:

- Accurate means free from error;
- Complete data means all facts that a prudent buyer or seller would reasonably expect to have an effect on price negotiations, *e.g.* , historic cost data, vendor quotations, "make or buy" decisions and other management decisions that could have a bearing on cost; and

- Current data means data that are up to date. Because many months may pass after the original proposal and price were submitted, data should be updated, i.e., through disclosure but not necessarily through use of the newer data, through the close of negotiations to ensure they are current.

If you have any questions as to whether information is cost or pricing data that must be disclosed to the government, you should seek advice from Loral legal counsel. It is Loral's intention that all required cost or pricing information will be disclosed to the government. Falsely certifying facts or data used in government proposals and contracts, whether unintentionally or deliberately, is a violation of law, regulation and contract requirements and may subject the Company and involved associates to criminal and civil penalties or administrative action.

vi. Anti-Kickback Laws

Associates and representatives must comply with anti-kickback laws which prohibit any individual or company from providing, attempting to provide or soliciting, accepting or attempting to accept, any kickback. A "kickback" is generally considered as any money, fee, commission, credit, gift, gratuity, thing of value (including money, trips, tickets, transportation, beverages and personal services) or compensation of any kind that is provided directly or indirectly to any individual or company for the purpose of improperly obtaining or rewarding favorable treatment in connection with a prime contract or subcontract/supplier relating to a prime contract.

In addition, certain government contracts contain clauses implementing anti-kickback laws and/or regulations which may require contractors to establish and follow reasonable procedures to prevent and detect possible kickbacks, and to report possible violations when there are "reasonable grounds" to believe that a violation has occurred. If you believe one of the various offenses detailed in this section have occurred, or if you have questions regarding these obligations, please follow the reporting procedures as set forth below in Section 7.A.

vii. Organizational Conflicts of Interest

It is Loral's policy to comply with the letter and spirit of the statutory, regulatory and contractual requirements regarding organizational conflicts of interest. Such a conflict may occur when, because of other activities or relationships, Loral may be unable or potentially unable to render impartial assistance or advice to the government, Loral's objectivity in performing the work is or might be otherwise impaired or the contractor/recipient has an unfair competitive advantage.

Loral will not pursue a grant or contract that has the appearance of, or presents a conflict of interest and has not been approved in advance by the Loral Legal Department. All Loral personnel, agents, representatives, and consultants are responsible for ensuring that this policy is understood and, if any conflicts of interest are suspected, reporting it to their supervisor or the legal department for resolution.

viii. Purchasing and Subcontracting

Because the value of subcontracts and purchase orders awarded by a U.S. government contractor can be substantial, the U.S. government has a strong interest and exercises great control over a contractor's purchasing and subcontracting processes. Among other things, U.S. government requirements can affect the type of subcontract, the amount and type of competition required and the terms and conditions required to be included in vendor agreements and subcontract. It is Company policy to comply with all such restrictions and obligations.

ix. U.S. Government Property

Loral is required to establish and maintain a system in accordance with federal requirements to control, protect, preserve and maintain all U.S. government property. Loral employees must be able to identify such property and track it through the Company's property records. Damage to or misappropriation of U.S. government property may result in a breach of contract charge or even imposition of civil penalties and criminal charges. More information on protecting company property is contained in Section N.

x. Contract Certifications and Representations

The U.S. government requires contractors to make certain written representations and certifications in order to ensure that prospective contractors meet the qualifications of contract solicitations. In addition, during contract performance, there are a host of written attestations that a contractor such as Loral is required to make, including conformance reports, time and material records and other documents supporting our invoices for payment. It is imperative that all representations or certifications be complete and accurate. It is the duty of anyone making a certification or representation on behalf of Loral to determine its accuracy in advance. See also Section L, Accuracy of Documentation.

xi. Mandatory Disclosures to the U.S. Government

Federal regulation mandates that Loral timely disclose, in writing, to the agency Office of the Inspector General (OIG), with a copy to the Contracting Officer, whenever, in connection with the award, performance or closeout of a federal government contract, grant or cooperative agreement, or any subcontract thereunder, Loral has credible evidence that a principal, employee, agent or subcontractor has committed either:

- A violation of federal criminal law involving fraud, conflict of interest, bribery or gratuity violations found in Title 18 of the United States Code; or

- A violation of the civil False Claims Act.

Loral's failure to meet the above obligation could subject the Company to suspension and debarment action(s). Loral may also be suspended and/or debarred for a knowing failure by a principal to timely disclose to the Contracting Officer credible evidence of a significant overpayment by the federal government.

Note, while you have the right to disclose any concerns regarding the above matters directly to the federal government, your duty as a Loral associate is not to disclose such matters. Rather, if you believe one of the various offenses detailed in this section have occurred, or if you have questions regarding these obligations, please follow the reporting procedures as set forth below in Section 7.A.

J. Proper and Timely Reporting of Public Documents

As a public company, it is of critical importance that Loral's filings with, and submissions to, the Securities and Exchange Commission, and other public communications, be fair, accurate and timely. Depending on his or her position with Loral, an associate may be called upon to provide information required to assure that Loral's public reports are complete, fair and understandable. Loral associates are expected to take this responsibility seriously and to provide prompt and accurate answers to inquiries related to Loral's public disclosure requirements.

K. Internal Controls

Loral has a detailed financial control structure and related procedures designed in accordance with Section 404 of the Sarbanes-Oxley Act of 2002, which requires companies to implement and evaluate internal controls for purposes of financial statement reporting integrity. Assessing the quality of these internal controls involves a continuous process of evaluating their design and operation and taking necessary corrective action to improve them as required. Through discussions with supervisors and review of Loral's documented practices and procedures, each associate must understand his or her role with regard to Loral's overall control structure and related procedures. An associate should report as soon as possible to his or her supervisor or other appropriate person in accordance with Section 5 of this Code any potential concerns he or she may have with respect to either his or her own role or performance or otherwise relating to Loral's control structure and related procedures. Early identification of problems is critical to the strength of the Company's controls, as well as maintaining compliance with the law.

L. Accuracy of Documentation

Loral associates create various forms of records including reports and correspondence, which may be in hard copy or electronic media. Business records should include objective and verifiable factual information and should be free from speculation and rumor, and from ambiguous or misleading statements. Particular care must be taken to ensure that statements made to the government and claims submitted to the government are accurate. The government may impose severe penalties for false statements or false claims.

i. Reporting Expense Reimbursements

Those who submit expense reports and other forms requesting reimbursement must follow Loral's applicable procedures. Expense reports should contain only charges actually incurred by the employee in furtherance of Loral business. Expenses should be accurately described so that unallowable expenses may be excluded from billings to the government. The finance department will provide guidance if you have any questions.

ii. Reporting Labor Charges

The accurate reporting of labor at Loral is both essential and mandatory because it is the source for the charging of direct labor and the distribution of overhead cost to a contract. You will accomplish this by either completing a labor timecard or voucher or by entering your time through an electronic labor reporting system.

When you report time being charged to a specific contract, the following are some general "musts" to help you follow proper labor charging practices. You MUST:

- Prepare your own voucher/timecard;
- Record time as work is performed;
- Obtain the charge number for the job(s) you are working on from your immediate supervisor or his or her representative;
- Record time ***only*** for the job(s) on which you are working;
- If you need to make a correction on a non-electronic labor reporting system, draw a line through the error and write the proper entry on the next line. You and your supervisor must initial each correction. For electronic labor reporting, notify your supervisor promptly of any corrections to incorrect entries; and
- Check and follow Loral's specific guidelines for labor reporting.

M. Producing Quality Products

Loral is committed to delivering products with the highest levels of quality and reliability consistent with each customer's requirements. To achieve this goal, each associate must follow these guidelines:

- Make achievement of quality and excellence your personal goal;
- Strive to do each job right the first time;
- Comply with all contract requirements, including:
  - Design requirements;
  - Performing all inspections and tests specified in each contract;
  - Preparing all required reports accurately and completely;
  - Using only materials conforming to quality levels specified in each contract; and

- ➢ Using only substitute materials that have been approved in writing by the customer’s representative.

By providing quality products and services, not only do we meet our customers’ requirements, but also we make the Company more competitive and stronger in the marketplace.

N. Company Funds and Property

All employees are responsible for safeguarding and making proper and efficient use of Company funds and property by following procedures to prevent their loss, theft or unauthorized use. Company funds and property include Company time; cash, checks, drafts and charge cards; land and buildings; records; vehicles; equipment, including fax machines, copiers and telephones; computer hardware and software; scrap and obsolete equipment; and all funds and property.

The following are ways to protect company funds and property:

- Make sure expenditures are for legitimate business purposes;
- Keep accurate and complete records of funds spent;
- Use corporate charge cards only for business purposes or as specified in Company instructions;
- Make sure computer and communications equipment and systems, including passwords or other methods used to access or transmit data, and the information they contain are protected against unauthorized access, use, modification, destruction or disclosure;
- Use Loral’s trademarks and service marks in accordance with Company instructions; and
- Report actual or suspected loss, damage, misuse, theft, embezzlement or destruction of Company funds or property immediately to Daniel Medina, Director of Administrative Services, by calling (212) 212-5282.

O. Following Security Guidelines

While Loral’s customer base is now primarily commercial companies, Loral continues to contract with the United States government or its prime contractors. These contracts require the Company to implement and maintain a system of security controls. As associates of Loral, we all are individually responsible for safeguarding classified information. The following are some of the key rules that associates must follow:

- Notify your supervisor of any circumstances that might embarrass or damage the Company.

- Establish a system to ensure that unattended classified files are always locked.
- Safeguard and transmit all classified material in accordance with government and Loral requirements.

You are also prohibited from sending classified information via regular mail. Additionally, you should never discuss classified information, company plans or related information with family, friends or other unauthorized persons.

You should be particularly careful when using phones of any type, especially cellular phones, for sensitive or classified conversations. This also applies to use of computer terminals, facsimile machines, cell phone cameras and other equipment used to transmit information or data.

If you have any questions about security matters, contact your immediate supervisor or Daniel Medina, Director of Administrative Services, at (212) 338-5282.

P. Record Retention

It is Loral policy to comply with all statutory and regulatory requirements for retention of records, including those relating to U.S. government contracts and subcontracts. All Loral personnel, agents, vendors, representatives and consultants are responsible for ensuring that this policy is understood and is implemented consistently with these requirements. The Company has many records retention requirements imposed on it, such as those relating to federal and state tax returns and environmental compliance. It is Company policy to comply with all records retention requirements, whether or not related specifically to government contracts.

Q. Social Media

It is Loral policy to be extremely careful about disclosing Company information and never to disclose any confidential information without authorization. Associates may not post their opinions or information about or related to Loral or its business on the Internet or on or through any social media interfaces (including, without limitation, Facebook, Twitter, LinkedIn, Yahoo, message boards, chat board or blogs), even if not confidential, unless authorized to do so. Associates who are employees, temporary employees or independent contractors may never discuss the Company or matters related to the Company with the press unless explicitly authorized to do so. Finally, associates who are employees, temporary employees or independent contractors may not accept any public speaking engagement or publish any articles or other written communications in any form, in each case relating to the Company or its business, without prior approval of a Loral officer.

4. WAIVERS OF THE CODE

Except as otherwise provided herein or in any other document adopted or acknowledged by the Company, any waiver of this Code for officers or directors may be made only by the Board of Directors or a Board committee and will be promptly disclosed to stockholders if and to the extent required by law or stock exchange regulation. Any waiver of this Code for associates other than officers or directors may be made only with the consent of the Company's General Counsel.

5. ADDITIONAL PROCEDURES FOR THE CEO, PRESIDENT AND SENIOR FINANCIAL OFFICERS

All provisions of the Code bind the CEO, the President, the CFO, the principal accounting officer or controller and all persons performing similar functions (the "senior financial officers"). In addition to the Code, the senior financial officers are subject to the following additional specific policies:

A. All senior financial officers are responsible for full, fair, accurate, timely and understandable disclosure in the periodic reports that are required to be filed by the Company with the SEC and in the Company's other public communications. Accordingly, it is the responsibility of each senior financial officer to promptly bring to the attention of the management any material information of which he or she may become aware that affects the disclosures made by the Company in its public filings or public communications or otherwise assist the management in fulfilling its responsibilities.

B. Each senior financial officer shall promptly bring to the attention of the management and the Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data or (b) any fraud, suspected fraud or allegation of fraud (regardless of the source of the allegation or its level of credibility), in each case, whether or not material, that involves management or other associates who have a significant role in the Company's financial reporting, disclosures or internal controls.

C. Each senior financial officer shall promptly bring to the attention of the management and to the Audit Committee any information he or she may have concerning any violation of the Company's Code, including any actual or apparent conflicts of interest between personal and professional relationships, involving any members of management or other associates who have a significant role in the Company's financial reporting, disclosures or internal controls.

D. Each senior financial officer shall promptly bring to the attention of the management and to the Audit Committee any information he or she may have concerning evidence of a material violation of the securities or other laws, rules or regulations applicable to the Company and the operation of its business, by the Company or any agent thereof, or of violation of the Code or of these additional procedures.

E. The Board of Directors shall determine, or designate appropriate persons to determine, appropriate actions to be taken in the event of violations of the Code or of these additional procedures by the senior financial officers. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to the Code and to these additional procedures and shall include written notices to the individual involved that the Board has determined that there has been a violation, censure by the Board, demotion or re-assignment of the individual involved, suspension with or without pay or benefits (as determined by the Board) and termination of the individual's employment. In determining what action is appropriate in a particular case, the Board of Directors or such designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

6. CERTAIN RULES AND REGULATIONS

A. Foreign Corrupt Practices Act

Loral complies, and requires that all its associates worldwide and its joint ventures, agents, distributors and other representatives comply with the letter and the spirit of the Foreign Corrupt Practices Act ("FCPA").

The primary purpose of the FCPA is to prohibit the payment of bribes, in any form, to foreign officials in order to secure or retain business. Specifically, the FCPA prohibits the giving or offering of anything of value (hereinafter referred to as "bribes") to foreign officials, foreign political parties or candidates for foreign political office in order to obtain, keep or direct business or otherwise obtain a business advantage. It is important to note that the FCPA's prohibitions are not limited to monetary payments but can include a wide range of non-monetary benefits as well. Also prohibited are indirect bribes made through an intermediary (such as an agent, representative or consultant) knowing that there is a high probability that the intermediary will use all or a portion of the bribe for a prohibited purpose.

In addition, the FCPA includes certain requirements with respect to accounting records that are designed, among other things, to prevent concealment of bribes. The FCPA requires that Loral's books, records and accounts be kept accurately to reflect all transactions and disposition of Company assets. The following are specifically prohibited: maintaining secret or unrecorded funds or assets; falsifying records; and providing misleading or incomplete financial information for audit.

Violation of the FCPA's anti-bribery and accounting provisions may result in civil and criminal prosecution. Loral may be fined up to $2 million or twice the gross gain or loss from the offense, whichever is greater, for a violation of the anti-bribery provisions of the FCPA; an individual may be fined $250,000 or twice the gain or loss from the offense, whichever is greater, and may be subject to imprisonment for up to five years. Violations of the accounting provisions may be punished by fines of up to $25 million for corporations or fines of up to $5 million and imprisonment of up to 20 years for individuals. Loral will not pay fines imposed on individuals. Loral will take all necessary disciplinary action, including possible dismissal, against associates violating these policies.

There are three types of payments that may be permissible under the FCPA. The first is a payment to facilitate or expedite performance of routine governmental action. "Facilitating or expediting payments" are those that relate to the performance of non-discretionary action. Examples include obtaining permits, licenses or other official documents; processing governmental papers, such as visas and work orders; providing police protection and mail pick-up and delivery; providing phone service; power and water supply; loading and unloading cargo or protecting perishable products; and scheduling inspections associated with contract performance or transit of goods across country. The second is a payment that is reasonable in amount and is directly related to the promotion, demonstration or explanation of a product or the execution of a government contract. These payments may include travel and lodging expenses. The third is a payment that is lawful under the written laws or regulations of a foreign country. ***The application of these exceptions to a particular situation involves a legal determination, and associates must consult with their legal department prior to authorizing any payments under one of these exceptions.***

Loral has established procedures to reduce the likelihood of prohibited bribes by intermediaries, i.e., joint venture partners or agents, distributors or consultants. First, it is Loral's policy to obtain background information on the intermediary to assess the potential for violation. Second, it is Loral's policy to enter into a written agreement with respect to intended disposition of fees and compliance with the FCPA. ***All such agreements must be approved by the legal department prior to execution.***

Additional and more detailed information, guidelines and policies are available from Loral's legal office, and associates are expected to comply with such requirements and guidelines. ***Because the status of certain types of payments may be unclear, associates must review with Loral's legal department the nature of any payments that raise potential FCPA concerns.***

Any violations of the FCPA must be reported immediately to Loral's legal office. Because the immediate reporting of violations or potential violations is a critical component of Loral's efforts to ensure compliance with the FCPA, failure to report such violations could raise potential questions about an associate's knowledge of, or complicity in, a prohibited transaction. Violations or potential violations may be reported without fear of retaliation for making such a report.

B. Export Control Laws

The Company complies, and all of its associates are required to comply, scrupulously with United States export control laws and regulations, including the Arms Export Control Act and International Traffic in Arms Regulations; the International Emergency Economics Powers Act; the Export Administration Act and the Export Administration Regulations; embargo and trade sanctions laws and regulations (see 7.C. below); Anti-Boycott laws and regulations; and Executive Orders pertaining to U.S. export control laws and regulations.

The Company and all of its associates are required to comply scrupulously with the conditions, limitations, provisos, requirements and terms of all licenses and other United States government authorizations (including, without limitation, export licenses, technical assistance agreements and manufacturing licensing agreements) in connection with any export, import, re-export, transfer, sale, marketing activity or proposal by the Company.

Failure to comply with United States export control laws and regulations, or any licenses or other United States government authorizations, may result in severe penalties for the Company and the individuals involved. Any associate who violates export control requirements would be subject to disciplinary action, including termination of employment, and may be subject to civil and/or criminal penalties imposed by the United States government.

The Company's products (hardware, software and technical data) and activities (including certain marketing activities and proposals) may be defined as "defense articles" and "defense services" under the Arms Export Control Act and the International Traffic in Arms Regulations (ITAR).

Associates should be aware that an export occurs under the ITAR by sending or taking a defense article out of the United States in any manner (except by mere travel outside of the United States by a person whose personal knowledge includes technical data); disclosing (including oral or visual disclosure) or transferring technical data to a foreign person, whether in the United States or abroad; performing a defense service on behalf of, or for the benefit of, a foreign person, whether in the United States or abroad; disclosing (including oral or visual disclosure) or transferring in the United States any defense article to an embassy, or any agency or subdivision of a foreign government (e.g., diplomatic missions); or transferring registration, control or ownership to a foreign person of any aircraft, vessel or satellite covered by the U.S. Munitions List, whether in the United States or abroad. Lawful permanent residents of the United States ("green card" holders) and certain protected individuals (certain refugees, asylees, etc.) are not considered "foreign persons" under the ITAR.

The export of defense articles and defense services requires the prior written authorization of the United States Department of State, unless a specific statutory or regulatory exemption applies. In certain instances, the prior written authorization of the United States Department of State is required before making a sale or transfer, or even a proposal to sell or transfer, defense articles, defense services and technical data to certain countries, or to any persons acting on behalf of these countries, or that is intended for use by the armed forces of certain foreign countries.

In addition, the ITAR place significant restrictions on "brokers" and "brokering activities" concerning ITAR-controlled defense articles and defense services. The term "broker" is defined as any person engaging in the business of "brokering activities" that is (1) a U.S. person, wherever located, (2) a foreign person if physically located or organized in the United States or (3) a foreign person located outside the United States, if the foreign person is owned or controlled by a U.S. person. The term "brokering activities" is defined to mean any action on behalf of another to facilitate the manufacture, export, permanent import, transfer, reexport or retransfer of a U.S. or foreign defense article or a defense service, regardless of its origin. Note that international marketing representatives and other individuals or entities retained by Loral or any of its associates may be deemed a "broker" and engaged in "brokering activities." With rare exceptions, the use of a broker or engaging in brokering activities requires registration and prior notice to or prior approval by the United States Department of State. In addition, brokers and brokering activities are flatly prohibited for matters involving a country embargoed or otherwise proscribed by the United States Department of State, including the People's Republic of China.

The export of other Company commodities, software and technology (including technical data) is governed by the Export Administration Regulations (EAR), and the export of such products and technology may require the prior written authorization of the United States Department of Commerce. When economic sanctions are imposed against a foreign country, the Company's exports and imports of commodities, software and technology to or from that country may also require a license from the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). Associates should be aware that an export occurs under the EAR and OFAC regulations by an actual shipment or transmission of items (commodities, software or technology) out of the United States, or the release of technology or software subject to the EAR to a foreign national in the United States. Permanent resident aliens of the United States and certain protected persons are not considered "foreign persons" under the EAR.

To ensure full compliance with United States export control laws and regulations, all associates should be aware of the following:

- Associates are responsible for complying scrupulously with United States export control laws and regulations, including all applicable export licenses and other export authorizations issued by the United States government.
- Associates are responsible for seeking guidance and/or direction from the Company's Export Control personnel regarding export control issues before engaging in any exports.
- Associates should be especially aware of the potential for exports in any dealings with foreign persons, such as going on foreign travel, hosting foreign visitors, having technical interactions with foreign persons or engaging in marketing activities that address technical issues.

C. Economic Sanctions Measures

OFAC administers United States economic sanctions against foreign countries, entities and individuals to counter external threats to United States national security, foreign policy or economy. Loral complies, and all of its associates are required to comply, scrupulously with the OFAC-administered sanctions programs. By law, "U.S. Persons" are required to comply with these sanctions. U.S. Persons include: United States citizens and permanent residents of the United States, wherever they are located; all entities organized in the United States (including their foreign branches); and all individuals, entities and organizations (collectively, "Persons") actually located in the United States. For the sanctions against Cuba and Iran, all entities owned or controlled by U.S. Persons, wherever organized or doing business (including foreign subsidiaries of United States firms), are also required by United States law to comply. Loral is a U.S. Person. Any associates of Loral, wherever located, who are United States citizens or permanent residents are U.S. Persons. All Loral associates when in the United States (for business or pleasure) are U.S. Persons. As a matter of Loral policy, associates of the Company who are not U.S. Persons are also required to comply with OFAC-administered sanctions at all times, as though they were U.S. Persons.

The Company and all of its associates are required to comply scrupulously with the conditions, limitations, provisos, requirements and terms of all "specific licenses" issued to Loral by OFAC and of all "general licenses" contained in OFAC's regulations implementing the individual sanctions programs in connection with any export, import, re-export, transfer, sale, marketing activity or proposal by the Company.

Violations of United States economic sanctions may result in the imposition of civil or criminal penalties on individuals and, in certain cases, the entity for which they act. Any associate who violates United States economics sanctions (or causes the Company to violate such sanctions) would be subject to disciplinary action, including potential termination of employment, in addition to any civil and/or criminal penalties imposed by the United States government. Any associate, however, who notifies the Loral legal department when he or she suspects a sanctions violation may have occurred will not be subject to disciplinary action by the Company.

OFAC maintains comprehensive territorial sanctions relating to certain countries and regions (e.g., as of November 30, 2017, against Cuba, Iran, North Korea, Syria and the Crimea Region of Ukraine) (the "Target Countries/Regions"). If comprehensive sanctions apply, the sanctions may apply not only to the territories of those countries and regions but also to entities owned or controlled by their governments, agents of such governments and, in most cases, residents of and Persons in those countries/regions. ***Associates must review with the legal department, and obtain the prior clearance of the legal department for, any proposed activities involving or benefiting the governments, government agencies or government-controlled entities of these countries (wherever located), or Persons or service areas in these countries.***

For a complete list of U.S. sanctions programs, please see the OFAC website at https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx . ***Associates must review with the legal department,, and obtain the prior clearance of the legal department for, any proposed activities involving any of the countries included on the OFAC list of sanctions programs.***

OFAC also maintains, and frequently updates, several lists of sanctioned persons and entities. Chief among these is its list of "Specially Designated Nationals and Blocked Persons" (the "SDN List"), which contains the names of Persons whose property and property interests are blocked pursuant to one of the sanctions programs. In addition, and of particular relevance to Loral is the Foreign Sanctions Evaders (FSE) List . All entities on these two lists are "Target Persons". [1] Target Countries/Regions and Target Persons (including Persons located in a Target Country with whom transactions are generally prohibited by sanctions) are referred to collectively as "Sanctions Targets." U.S. Persons, including Loral and all of its associates are prohibited from engaging in transactions or dealings with these Sanctions Targets – directly or indirectly – without a license from OFAC or an applicable exemption. The SDN List may be found on OFAC's website at http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx . The OFAC website also keeps current the description of Target Countries/Regions and other programs comprising the United States sanctions regime. OFAC-administered sanctions programs are dynamic and are subject to change at any time.

The United States also imposes sanctions against persons and entities in Ukraine and Russia. Many of these persons and entities are now included on the OFAC SDN List. In addition, the United States has imposed sanctions that target specific sectors of the Russian economy. These are known as U.S. Sectoral Sanctions and are applied through four directives issued by OFAC. These directives generally prohibit transactions in, provision of financing for, and other dealings in, new debt of longer than 30 (or in some cases 90) days maturity or new equity of the specified persons/entities. Those entities that are subject to U.S. Sectoral Sanctions are included on the Sectoral Sanctions Identifications (SSI) List . ***Associates must review with the legal department, and obtain the prior clearance of, the legal department, for, any proposed activities involving any entity included on the OFAC Sectoral Sanctions List.***

Each sanctions program is different and responds to a different foreign policy context. Associates must check on each program's scope separately with Loral's legal department. Elements found in many of OFAC's sanctions programs include prohibitions on (1) dealing in a Sanctions Target's "property and property interests," defined very broadly to include assets, debts, contracts, contingent rights, patents, etc., including interests involving only partial ownership (referred to as "blocking" or "freezing" the property); (2) trade (exports, re-exports or imports) in goods, services and technology with a Target Country/Region or its government; (3) investment in a Target Country/Region; (4) performance of contracts with or in a Target Country/Region; (5) transportation to or from a Target Country/Region; and (6) facilitation (financing, guaranteeing, approving, etc.) by a U.S. person of a transaction with or benefiting a Sanctions Target where OFAC sanctions would prohibit the transaction if done directly by a U.S. Person or from the United States.

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[1] The SDN List covers "specially designated nationals" of the Target Countries/Regions, designated Persons in or related to, various regimes, as well as designated terrorists and terrorist groups, designated narcotics traffickers, designated proliferators of weapons of mass destruction and other Persons related to UN Security Council sanctions, their respective designated financiers and certain designated property (including entities) of these Persons. The FSE List includes foreign individuals and entities determined to have violated, attempted to violate, conspired to violate or caused a violation of U.S. sanctions on Syria or Iran or who have facilitated deceptive transactions for or on behalf of persons subject to U.S. sanctions.

The blocking, exportation of services and facilitation prohibitions are interpreted by OFAC very broadly. OFAC-administered sanctions affect Loral's ability to enter into contracts with or benefiting Target Countries/Regions, or with Persons on the SDN List. If new sanctions are imposed that block the property of Persons with whom Loral has uncompleted contractual commitments, the Company may be unable to perform under its contract, or may be required to obtain a license from OFAC before resuming any activities under the contract. When sanctions prohibit exportation of technology to a Target Country/Region, an OFAC license may be required in addition to a license under the EAR or ITAR. The sale of a satellite to a foreign Person with the knowledge that this Person intends to lease substantial transponder capacity to, for example, the government of Iran or any other Target Country/Region is likely to require an OFAC license, under the facilitation prohibition in the Iran sanctions.

Most OFAC sanctions programs include a statutory exemption for trade in "information and informational materials" in existence when the trade transaction is done, and not controlled for national security, nonproliferation or terrorism purposes under the EAR. OFAC distinguishes between the information itself and the equipment needed to transmit the information. For example, OFAC's Iranian Transactions Regulations state that the exemption "does not exempt … or authorize … the sale or leasing of telecommunications transmission facilities (such as satellite links or dedicated lines) where such … sale or leasing is for use in the transmission of any data." (31 C.F.R. § 560.210(c)(4).) ***Associates should not attempt to interpret the exemption except in consultation with their legal department.***

To ensure full compliance with United States economic sanctions, all associates should be aware of the following:

- Associates are responsible for complying scrupulously with United States economic sanctions, including the terms and conditions of any licenses, whether obtained by the Company for specific transactions or included in OFAC regulations.

- Prior to entering into a contract with foreign entities, Loral associates are required to know their proposed customers – who they are, what they do, where they are based and how they will use the goods, technology or software.

Associates must seek advice from their legal department regarding economic sanctions issues if a proposed transaction involves, directly or indirectly, a Sanctions Target or an entity on the Sectoral Sanctions List.

7. REPORTING, INVESTIGATING AND ENFORCEMENT

Loral is committed to maintaining an environment in which associates may raise questions or report violations or suspected violations of this Code and applicable governmental laws and regulations without fear of retribution. Associates are encouraged to report all violations or suspected violations of this Code or applicable government laws and regulations and to talk to supervisors, managers or other appropriate personnel when in doubt about the best course of action in a particular situation, using the methods outlined below.

Associates are expected to cooperate in internal investigations of misconduct. Loral will not allow retaliation for good faith reports of misconduct made by associates. Any person who believes that he or she has been subject to retaliation for reporting a violation or possible violation may contact anyone designated below, and a prompt investigation will be conducted.

All Code Provisions (including FCPA, Export Control or OFAC, but excluding Employment Practices) . Violations or suspected violations relating to all provisions of the Code of Conduct (including violations or suspected violations relating to Loral's dealings under government contracts or with government officials or relating to FCPA, Export Control or OFAC policy (Section 6 of the Code), but excluding Employment Practices) shall be reported, investigated and enforced as set forth below in Section 7.A.

Employment Practices . Violations or suspected violations relating to Loral's Employment Practices policy (Section 2 of the Code) shall be reported, investigated and enforced as set forth below in Section 7.B.

A. Code of Conduct Violations [2]

With respect to violations or suspected violations relating to all provisions of the Code of Conduct (other than Employment Practices), an associate may contact:

- The associate's immediate supervisor; or
- The supervisor's immediate supervisor; or
- Avi Katz, President, General Counsel and Secretary of Loral Space & Communications Inc. The report may be made by calling (212) 338-5340, by fax to (212) 338-5320, by email to avi.katz@hq.loral.com or by mail to the following address:

Avi Katz
Loral Space & Communications Inc.
600 Fifth Avenue, 16th Floor
New York, New York 10020

[2] The procedures set forth in this section 7.A. apply to all violations of the Code *except* for violations of the Company's Employment Practices policy (Section 2), such as harassment, discrimination or retaliation. The procedures for violations of the Company's Employment Practices policy are set forth in Section 7.B.

In the alternative, an associate may call the Ethics Hotline to report any violations or suspected violations of this Code (See Section 7.C).

Investigation of prohibited actions involving directors or executive officers

Reports of alleged prohibited actions of this Code involving directors or executive officers of the Company will be reviewed by the Audit Committee. After receiving a report of an alleged prohibited action, the Audit Committee will promptly take all appropriate actions necessary to investigate the matter.

If, after investigating a report of an alleged prohibited action by a director or executive officer of the Company, the Audit Committee determines that a violation of this Code has occurred, the Audit Committee will report such determination to the Company's Board of Directors.

Responsive action for Code violations involving directors or executive officers

Upon receipt of a determination that there has been a violation of this Code, the Board of Directors will take such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities. Such actions shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code and shall include a written notice or notices to the individual involved that the Board of Directors has determined, as the case may be, that there has been a violation, censure by the Board of Directors, demotion or re-assignment of the individual involved, suspension with or without pay or benefits (as determined by the Board of Directors) and termination of the individual's employment. In determining what action is appropriate in a particular case, the Board of Directors shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

Investigation of prohibited actions not involving directors or executive officers

Actions prohibited by this Code involving anyone other than a director or executive officer will be reviewed by a specially assigned investigator, who will review them and, if appropriate, commence an immediate investigation. Depending on the nature of and personnel involved in the report, the investigator may be a member of the Company's Audit Committee or the Company's legal department or another appropriate individual. Communications between the associate and the investigator will be kept confidential to the fullest extent possible.

If, after investigating a report of an alleged prohibited action by an individual other than a director or executive officer of the Company, the investigator determines that a violation of this Code has occurred, the investigator will report such determination to the General Counsel.

Responsive action for Code violations not involving directors or executive officers

Upon receipt of a determination that there has been a violation of this Code, the General Counsel will take such preventative or disciplinary action as he deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities.

B. Employment Practices Violations

Associates who believe that they have been the subject of unlawful discrimination or harassment of any kind are required to promptly report the matter to their direct manager or supervisor. If an associate is not comfortable bringing a complaint to his or her immediate manager or supervisor, please immediately report the complaint as follows:

Contact: Daniel Medina
Director of Administrative Services
Telephone #: (212) 338-5282
daniel.medina@hq.loral.com

Any manager or supervisor who becomes aware of unlawful discrimination or harassment of any kind, including sexual harassment, has an obligation to report it promptly to Daniel Medina at the corporate office, his or her direct manager, or any member of the management or executive management team.

Investigation of complaint

Loral is committed to promptly investigating every complaint and effectively resolving any instance of harassment or discrimination. Each person making a complaint, the alleged harasser/discriminator and all knowledgeable employees have an obligation to cooperate fully with an investigation. The investigation may include individual interviews with those involved and, when necessary, with individuals who may have observed the alleged conduct or may have relevant knowledge. The complaint and investigation will be handled with sensitivity, under the direction of the Human Resources department and in some cases, one or more members of the Executive management team, or an outside investigator. Confidentiality will be maintained throughout the investigation to the extent practical and appropriate under the circumstances, considering the sensitivities of all concerned.

Protection against retaliation for making a complaint

No one who objects to prohibited harassment or conduct, makes a good faith complaint, or assists in an investigation will be subjected to punishment, coercion, intimidation or retaliation. Retaliation is a serious violation of this policy and will be treated with the same corrective action as would the harassment or discriminatory conduct itself. Acts of retaliation must be reported immediately and will be investigated promptly.

Responsive action

Any person found to have committed prohibited discrimination, harassment or retaliation will be subjected to disciplinary action up to and including termination.

C. Anonymous Ethics Hotline.

Any illegal or unethical action can put a company in an awkward situation. Sometimes, the unethical actions of a few people can destroy an entire company and can result in loss of business, fines, penalties and ultimately debarment from government contracting. If you are ever faced with an unethical situation, we need you to speak up. Silence never helps, and, in fact, it can make an already bad situation much worse. Your voice, however, can make a difference. Speak up if you have concerns about workplace issues such as the following:

- *Theft*
- *Fraudulent or inaccurate financial reporting*
- *Abuse of company resources*
- *Antitrust laws*
- *Disclosure of confidential information*
- *Import/export laws*
- *Alcohol or drug abuse*
- *Potential overbillings to government customers*
- *Violations of U.S. sanctions laws*
- *Conflicts of interest*
- *Improper contact with government officials*
- *Harassment or discrimination*
- *Copyright laws*
- *Environmental, health and safety laws*
- *Improper gifts or gratuities*
- *Bribery or kickbacks*
- *Receipt of ill-gotten bid, proposal or government source selection information*

To report any of the above, speak with your immediate supervisor or other manager. If you have already spoken with a member of management or if you simply prefer to remain anonymous, call the Ethics Hotline.

How to Use the Ethics Hotline

Loral's Ethics Hotline is a simple, effective way to register your concerns about any potentially unethical situation in your workplace. The toll-free Ethics Hotline is available 24-hours a day, every day of the week, so you can even call from the privacy of your own home. By calling the Ethics Hotline, you can remain completely anonymous throughout the reporting process. No call-tracing or recording devices are ever used at the Ethics Hotline. Even if you do choose to give your name, your call will be handled with the utmost confidentiality.

When you call the Ethics Hotline, a Communication Specialist employed by an outside compliance firm will ask you a series of questions to better understand the nature of your concern. The Specialist then prepares a report that is forwarded for review and, if appropriate, investigation, to an independent, non-employee compliance officer who handles these matters for Loral. At the end of your call, you are given a report number, a personal identification number (PIN), and a call-back date, after which you may follow-up on your report. Simply reference the identification number when you call. If additional information is needed from you before your concern can be resolved, you will be asked for it when you call back.

Call the Ethics Hotline even if you don't have all of the facts. The independent compliance officer will look into the information you can provide, attempt to verify it and then take appropriate action.

The Ethics Hotline is not intended to be a substitute for meaningful communication between you and your immediate supervisor. If you have questions or concerns regarding normal operating procedures or suggestions for making your workplace more comfortable or efficient, please bring them directly to him or her.

Ethics Hotline:
888-301-8628

Toll-free, anonymous, all day, every day of the week

Exhibit 21.1

LORAL SPACE & COMMUNICATIONS INC.

SIGNIFICANT SUBSIDIARIES

The active subsidiaries owned directly or indirectly by Loral Space & Communications Inc. as of March 9, 2018, all 100% owned (except as noted below), consist of the following:

Loral Skynet Corporation	Delaware
Loral Satmex LLC	Delaware
Loral Holdings LLC	Delaware
Mexico Satellite, LLC [1]	Delaware
Loral Global Services N.V.	Netherlands Antilles
Loral Holdings Corporation	Delaware
4440480 Canada Inc.	Canada
4440498 Canada Inc.	Canada
Loral Canadian Gateway Corporation	Canada

NOTE

(1) Only 77.78% owned directly or indirectly

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 15, 2018, relating to the consolidated financial statements and financial statement schedule of Loral Space & Communications Inc. and subsidiaries (the “Company”) 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, 2017.

/s/ DELOITTE & TOUCHE LLP
New York, New York
March 15, 2018

Exhibit 23.2

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 February 28, 2018, 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, 2017.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 15, 2018

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 15, 2018

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 15, 2018

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, 2017 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 15, 2018

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, 2017 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 15, 2018