Iridium Communications Inc.
Form 10-K
March 16, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the year ended December 31, 2009

OR

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

For the transition period from to

Commission File Number 001-33963

Iridium Communications Inc.

(Exact name of registrant as specified in its charter)

Delaware	26-1344998
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6707 Democracy Boulevard, Suite 300, Bethesda, Maryland 20817

(Address of principal executive offices, including zip code)

301-571-6200

(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, $0.001 par value	**NASDAQ Global Market**
Units, each consisting of one share of Common Stock and one Warrant	**NASDAQ Global Market**
Warrants, exercisable for Common Stock at an exercise price of $7.00 per share	**NASDAQ Global Market**
Warrants, exercisable for Common Stock at an exercise price of $11.50 per share	**NASDAQ Global Market**

Securities Registered Pursuant to Section 12(g) of the Act: None

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

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 x

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 x 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 (§ 229.405 of this chapter) 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. ¨

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of June 30, 2009 was approximately $385,230,160. Aggregate market value excludes an aggregate of 9,190,800 shares of common stock held by officers and directors and by each person known by the registrant to own 5% or more of the outstanding common stock on such date. Exclusion of shares held by any of these persons should not be construed to indicate that such person possesses the power, direct or indirect, to direct or cause the direction of the management or policies of the registrant, or that such person is controlled by or under common control with the registrant.

The number of shares of the registrant s common stock, par value $0.001 per share, outstanding as of March 12, 2010 was 70,247,701.

DOCUMENTS INCORPORATED BY REFERENCE

None

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IRIDIUM COMMUNICATIONS INC.

ANNUAL REPORT ON FORM 10-K

Year ended December 31, 2009

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PART I

Item 1. Business

Corporate Background

We were formed as GHL Acquisition Corp., a special purpose acquisition company, in November 2007, for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination. On February 21, 2008, we consummated our initial public offering and on September 29, 2009, we acquired, directly and indirectly, all the outstanding equity of Iridium Holdings LLC, or Iridium Holdings, and we changed our name from GHL Acquisition Corp. to Iridium Communications Inc. We refer to this transaction as the Acquisition.

Iridium Holdings was formed under the laws of Delaware in 2000 and on December 11, 2000, Iridium Holdings, through its wholly owned subsidiary Iridium Satellite LLC, or Iridium Satellite, acquired certain satellite assets from Iridium LLC, a non-affiliated debtor in possession, pursuant to an asset purchase agreement. We refer to Iridium Holdings, together with its direct and indirect subsidiaries, as Iridium.

Throughout this section, when we refer to statistical or financial data for the year ended December 31, 2009, such as revenues, percentages of revenues and number of subscribers, we are referring to Iridium Holdings prior to the Acquisition and Iridium Holdings combined with our company after the Acquisition. Statistical and financial data for years prior to 2009 refer to Iridium Holdings.

Business Overview

We are the second largest provider of mobile voice and data communications services via satellite, and the only provider of mobile satellite communications services offering 100% global coverage. Our satellite network provides communications services to regions of the world where existing wireless or wireline networks do not exist or are impaired, including extremely remote or rural land areas, open ocean, the polar regions and regions where the telecommunications infrastructure has been affected by political conflicts or natural disasters.

We offer voice and data communications services to businesses, the U.S. and foreign governments, non-governmental organizations and consumers via our constellation of 66 in-orbit satellites, in-orbit spares and related ground infrastructure, including a primary commercial gateway. We utilize an interlinked mesh architecture to route traffic across our satellite constellation using radio frequency crosslinks between satellites. This unique architecture minimizes the need for ground facilities to support the constellation, which facilitates the global reach of our services and allows us to offer services in countries and regions where we have no physical presence.

Our commercial end-user base, which we view as our primary growth engine, is diverse and includes markets such as emergency services, maritime, government, utilities, oil and gas, mining, leisure, forestry, construction and transportation. Many of our end-users view our products and services as critical to their daily operations and integral to their communications and business infrastructure. For example, multinational corporations in various sectors use our services for business telephony, e-mail and data transfer services and to provide mobile communications services for employees in areas inadequately served by terrestrial networks. Ship crews and passengers use our services for ship to shore telephony as well as to send and receive e-mail and data files and facsimiles, and to receive electronic newspapers, weather reports, emergency bulletins and electronic charts. Shipping operators use our services to manage operations on board ships and to transmit data, such as course, speed and fuel stock. Aviation-based end-users use our services for air-to-ground telephony and data communications.

The U.S. government, directly and indirectly, has been and continues to be our largest customer, generating $75.2 million in service, contract and study revenue, or 23.6% of our total revenues, for the year ended December 31, 2009. The U.S. Department of Defense, or DoD, owns and operates a dedicated gateway that is only compatible with our satellite network. The U.S. armed services, State Department, Federal Emergency Management Agency, or FEMA, and other U.S. government agencies, as well as other nations governmental agencies, use our voice and data services for a variety of applications. Our voice and data products are used for a variety of primary and backup communications solutions, including logistical, administrative, morale and welfare and emergency communications. In addition, our products and related applications are installed in ground vehicles, ships, helicopters and fixed-wing aircraft and are used for command and control and situational awareness purposes. Our satellite network provides increased network security to the DoD because traffic is routed across our satellite constellation before being brought down to earth via the dedicated, secure DoD gateway, thus reducing the vulnerability to electronic jamming and interception. Since 2000, the DoD has made significant investments to build and upgrade its dedicated gateway in Hawaii and to purchase our handsets and voice and data devices, all of which are only compatible with our satellite network. In addition, the DoD, directly and indirectly with private companies, continues to

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invest in additional applications on our network such as high integrity GPS, or iGPS, and Distributed Tactical Communications Services, which we refer to as Netted Iridium. The DoD would have to incur significant expense to replicate our network architecture and replace our voice and data services with a competing service provider.

We sell our products and services to commercial end-users exclusively through a wholesale distribution network, encompassing approximately 65 service providers, 130 value-added resellers, or VARs, and 45 value-added manufacturers, or VAMs, which sell either directly to the end-user or indirectly through other service providers, VARs or dealers. These distributors often integrate our products and services with other complementary hardware and software and have developed a broad suite of applications for our products and services targeting specific vertical markets. We expect that demand for our services will increase as more applications are developed for our products and services.

At December 31, 2009, we had approximately 369,000 subscribers worldwide, representing a 15.3% increase compared to December 31, 2008. Our subscriber count includes machine-to-machine, or M2M, data subscribers who elected to suspend their accounts and as a result were not generating any fees at such time. These suspended accounts represented 3.8% and 7.2% of our total subscribers at December 31, 2008 and 2009, respectively. Total revenues decreased from $320.9 million in 2008 to $318.9 million in 2009.

Industry

We compete in the mobile satellite services sector of the global communications industry. Mobile satellite services operators provide voice and data services to people and machines on the move or in fixed locations using a network of satellites and ground facilities. Mobile satellite services are usually complementary to, and interconnected with, other forms of terrestrial communications services and infrastructure and are intended to respond to users desires for connectivity in all locations. Customers typically use satellite voice and data communications in situations where existing terrestrial wireline and wireless communications networks do not exist or are impaired. Further, many regions of the world benefit from satellite networks, such as rural and developing areas that lack adequate wireless or wireline networks, ocean and polar regions where few alternatives exist, and regions where the telecommunications infrastructure has been affected by political conflicts or natural disasters.

Worldwide, government organizations, military and intelligence agencies, natural disaster aid associations, event-driven response agencies and corporate security teams depend on mobile and fixed voice and data satellite communications services on a regular basis. Businesses with global operations require reliable communications services when operating in remote locations around the world. Mobile satellite services users span many sectors, including emergency services, maritime, government, utilities, oil and gas, mining, leisure, forestry, construction and transportation, among others. Many of our customers view satellite communications services as critical to their daily operations.

We believe that increasing penetration and continued growth of the terrestrial wireless industry will provide a significant market opportunity for the mobile satellite services industry. According to a report produced by Europa Technologies Ltd. for the GSM Association, there were 3.5 billion global cellular subscribers served by 1,050 networks throughout the world as of January 2009. We believe that growth in the terrestrial wireless industry has increased awareness of the need for reliable, mobile voice and data communication services among customers. In addition, despite significant penetration and competition, terrestrial wireless systems only serve a small fraction of the earth s surface and are focused mainly in those areas where people live, excluding oceans and other remote regions where ships, airplanes and other remote assets transit or are located. By offering mobile communications services with global voice and data coverage, mobile satellite service providers address the demand from businesses, governments and individuals for connectivity and reliability in locations not consistently served by wireline and wireless terrestrial networks. In a 2009 report, Northern Sky Research indicated that it expected mobile satellite services wholesale revenues to grow at a compound annual growth rate of 12% over the five-year period from 2010 to 2015.

The mobile satellite services industry also benefits from the continued development of innovative, lower cost technology and applications integrating mobile satellite products and services. We believe that growth in demand for mobile satellite services is driven in large part by the declining cost of these services, the diminishing size and lower costs of voice, data and machine-to-machine devices, as well as the rollout of new applications tailored to the specific needs of customers across a variety of markets.

Communications industry sectors include:

- mobile satellite services, which provide customers with voice and data connectivity to mobile and fixed devices using ground facilities and networks of geostationary, or GEO, satellites, which are located approximately 22,300 miles above the earth s surface, medium earth orbit satellites, which are located between approximately 6,400 and 10,000 miles above the earth s surface, or low earth orbit, or LEO, satellites, such as those in our constellation, which are located between approximately 300 and 1,000 miles above the

earth s surface;

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fixed satellite services, which use GEO satellites to provide customers with broadband communications links between fixed points on the earth s surface; and

terrestrial services, which use a terrestrial network to provide wireless or wireline connectivity and are complementary to satellite services.

Within the major satellite sectors, fixed satellite services and mobile satellite services operators differ significantly from each other with respect to size of antenna, types of services offered and quality of services. Fixed satellite services providers, such as Intelsat Ltd., Eutelsat S.A. Communications and SES S.A. are characterized by large, often stationary or fixed, ground terminals that send and receive high-bandwidth signals to and from the satellite network for video and high speed data customers and international telephone markets. By contrast, mobile satellite services providers, such as us, Inmarsat Finance plc, or Inmarsat, Globalstar, Inc., or Globalstar, and Orbcomm, Inc., or ORBCOMM, focus more on voice and data services, where mobility or small sized terminals are essential.

A LEO system, such as the system we operate, has lower transmission delays than a GEO system such as that operated by Inmarsat due to the shorter distance signals have to travel, which enables the use of smaller antennas on devices. We believe the interlinked mesh architecture of our constellation combined with the global footprint of our satellites distinguishes us from other regional LEO satellite operators like Globalstar and ORBCOMM, allowing us to route voice and data transmissions to and from anywhere on the earth s surface via a single gateway. As a result, we are the only mobile satellite services operator offering real-time, low latency services with 100% global coverage. Furthermore, we are the only mobile satellite service provider with full coverage of the polar regions.

Our Competitive Strengths

Only provider with 100% global coverage. Our LEO satellite network offers 100% global coverage. None of our LEO or GEO competitors offer such coverage. Our satellite network relies on an interlinked mesh architecture to transmit signals, which reduces the need for multiple ground stations and facilitates the global reach of our services. Other satellite service providers use an architecture commonly referred to as bent pipe, which requires voice and data transmissions to be immediately routed to nearby ground stations, thereby limiting their ability to provide global coverage. As a result, we believe that we are well-positioned to capitalize on the growth in our industry from end-users who require reliable communications service in all locations.

High quality and reliable voice and data services. We believe we offer high quality and reliable voice and data services. The LEO design of our satellite constellation produces minimal transmission delays relative to GEO systems due to its comparatively close proximity to earth and the shorter distance our signals have to travel. Additionally, LEO systems have smaller handset antenna requirements and are less prone to signal blockage caused by terrain than GEO satellite networks. Our primary LEO-based competitor has publicly announced that it has experienced satellite failures and other problems impacting its constellation that are affecting and will continue to affect its ability to provide commercially acceptable two-way voice and data service until the deployment of its next generation system.

Solutions for a broad range of vertical markets. We have created additional demand for our products and services and expanded our target market by partnering with our distributors to develop new products, services and applications. The specialized needs of our global end-users span many markets, including emergency services, maritime, government, utilities, oil and gas, mining, leisure, forestry, construction and transportation. Our communication solutions have become an integral part of the communications and business infrastructure of many of our end-users. In many cases, our service provides the only connectivity solution for these applications, and our products are often integrated by the original manufacturers or in the aftermarket into expensive machinery, such as military equipment and sophisticated monitoring devices.

Strategic relationship with the DoD. The U.S. government is our largest single customer, and we have had a relationship with the DoD since 2000. We provide the DoD, as well as other U.S. government agencies, with mobile satellite products and services. Our 9505A satellite handset is the only commercial mobile handheld satellite phone available on the market that is capable of Type I encryption accredited by the U.S. National Security Agency for Top Secret voice communications. In addition, the DoD has made significant investments to build a dedicated gateway in Hawaii to provide operational security and allow DoD handset users to communicate with other U.S. government security communications equipment. This gateway is only compatible with our satellite

network.

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Large, value-added wholesale distribution network. We sell our products and services to commercial end-users exclusively through a wholesale distribution network of approximately 65 service providers, 130 VARs and 45 VAMs. By relying on distributors to manage end-user sales, we believe that our distribution model leverages their expertise in marketing to their target customers while lowering overall customer acquisition costs and mitigating certain risks such as consumer credit risk. Our distributors further support our growth by developing new applications and solutions for our products and services, often combining our products with other technologies, such as GPS and terrestrial wireless technology, to provide integrated communications solutions for their target customers.

Our Business and Growth Strategies

Develop new products and services for commercial markets to further expand and penetrate our target markets. We expect that our current and future value added partners will continue to develop tailor-made products, services and applications targeted to the land-based handset, maritime, aviation and machine-to-machine markets. We believe these markets represent an attractive opportunity for subscriber growth and increased airtime usage. We expect the development of a new service, Netted Iridium, which provides beyond line-of-sight push-to-talk capability for user-defined groups, or nets, to provide us in the future with potential new commercial applications in public safety, fishing and field worker communications. The iGPS technology we have developed with a partner may enable new commercial applications in enhanced navigation services such as precision farming, high accuracy navigation for oil and gas exploration and construction services. In addition, our partners regularly develop specialized end-user applications targeted at specific markets.

Develop new services for the DoD. We are developing additional capabilities for our network to enhance its utility to the DoD. In conjunction with the U.S. Navy, we have developed and introduced Netted Iridium, which provides beyond line-of-sight push-to-talk voice services to a user-defined group of DoD users. Netted Iridium allows over-the-horizon netted radio communications. We are also developing capabilities that will enable iGPS service, which is expected to provide enhanced accuracy and anti-jamming capabilities. These and other services in development provide us with opportunities to increase revenue from the DoD.

Leverage our largely fixed cost infrastructure by growing our service revenues. Our business model is characterized by high capital costs, primarily incurred every 10 to 15 years, in connection with designing, building and launching our satellite constellation. However, the incremental cost of providing service to additional end-users is relatively low. We believe that service revenues will be our largest source of future growth and profits and we intend to focus on growing both our commercial and government service revenues in order to leverage our largely fixed cost infrastructure.

Expand our geographic sales reach. Our products and services are offered in over 100 countries. While our network can be used throughout the world, we are not currently licensed to sell our products and services directly in certain countries, including Russia, China, South Africa and India. We are currently in discussions with regulatory officials in these and other countries to obtain licenses and, to the extent we are successful in obtaining such licenses, we believe the expanded reach of our product and service distribution platform will contribute to our growth.

Develop Iridium NEXT constellation. We are developing our next-generation satellite constellation, Iridium NEXT, which we expect to begin launching in late 2014. Iridium NEXT will be backward compatible with our current system and will replace the existing constellation with a more powerful satellite network. Iridium NEXT will maintain our current system s key attributes, including the capability to upload new software, while providing new and enhanced capabilities, such as higher data speeds and increased capacity. In addition, Iridium NEXT will be designed to host secondary payloads, which have the potential to generate cash and deferred revenue during the construction phase of Iridium NEXT and the potential to generate recurring revenues once Iridium NEXT is launched. We believe Iridium NEXT s increased capabilities will expand our target markets by enabling us to develop and offer a broader range of products and services, including a wider array of cost-effective and competitive broadband data services.

Distribution Channels

We sell our products and services to our commercial customers exclusively through a wholesale distribution network of approximately 65 service providers, 130 VARs and 45 VAMs. These distributors sell our products and services to the end-user, either directly or indirectly through

service providers, VARs or dealers. Our distributors often integrate our products and services with other complementary hardware and software and have developed individual solutions targeting specific vertical markets. We also sell our services directly to U.S. government customers, including the DoD. The U.S. government and international government agencies purchase additional services as well as our products and related applications through our network of distributors.

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We provide our distributors with certain support services, including assistance with coordinating end-user sales, strategic planning and training and second tier customer support, as well as helping them respond to new opportunities for our products and services. We have representatives covering three regions around the world to better manage our distributor relationships: the Americas, which includes North, South and Central America; Asia Pacific, which includes Australia and Asia; and Europe, the Middle East, Africa and Russia. We also maintain various online management tools that allow us to communicate efficiently with our distributors. By relying on our distributors to manage end-user sales, we believe that we reduce certain risks and costs related to our business, such as consumer credit risk and sales and marketing costs, while providing a broad and expanding distribution network for our products and services with access to diverse and geographically dispersed niche markets. We are also able to rely on the specialized expertise of our distributors, who continue to develop innovative and improved solutions and applications integrating our product and service offerings, providing us with an attractive platform to support our growth.

Commercial Markets

We view our commercial end-user base as our primary growth engine. Our service providers and VARs are the main distribution channel for our products and services in the commercial markets. Service providers and resellers purchase our products and services and market them directly to their customers or indirectly through independent dealers. They are each responsible for customer billing, end-user customer care, managing credit risk and maintaining all customer account information. If our service providers or VARs provide our services through dealers, these dealers will often provide such services directly to the end-user. Service providers typically purchase our most basic products and services, such as mobile voice services and related satellite handsets, and offer additional services such as voice mail. Unlike service providers, our resellers provide a broader array of value-added services specifically targeted to the niche markets they serve, integrating our handsets, transceivers, high-speed data devices and short burst data modems with other hardware and software to create packaged solutions for end-users. Examples of these applications include cockpit voice and data solutions for use by the aviation sector and voice, data and tracking applications for industrial customers, the DoD and other U.S. and international government agencies. Many of our resellers specialize in niche vertical markets such as maritime, aviation, machine-to-machine and government markets where high-use customers with specialized needs are concentrated. Our principal service providers include dedicated satellite service providers such as Vizada Inc., or Vizada, and Stratos Global Wireless Inc., or Stratos, as well as some of the largest telecommunications companies in the world, such as Telstra Corporation Limited, KDDI Corporation and Singapore Telecommunications Limited. Our VARs include ARINC Incorporated, Blue Sky Network LLC, EADS N.V., General Dynamics Corporation, or General Dynamics, NAL Research Corporation, Zunibal S.A. and Globe Wireless LLC.

We also sell our products to VAMs, who integrate our transceivers and short burst data devices into their propriety hardware and software. These manufacturers produce specialized equipment, including integrated ship communication systems and secure satellite handsets, such as our Iridium 9505A handset coupled with U.S. National Security Agency Type I encryption capability, which they offer to end-users in maritime, government and M2M markets. As with our service providers and resellers, manufacturers sell their product solutions either directly or through other distributors, including some of our service providers and resellers. VAMs sell services on the product solutions to end-users only through other distributors. Our VAMs include AirCell Inc., ITT Corporation, General Dynamics and Thrane & Thrane A/S.

In addition to resellers and VAMs, we maintain relationships with approximately 35 value-added developers. We typically license technical information to these companies on our products, which they then use to develop new software and hardware that complements our products and services in line with the specifications of our resellers and manufacturers. These products include handset docking stations, airline tracking and flight management applications and crew e-mail applications for the maritime industry. We believe that working with value-added developers allows us to create new platforms for our products and services and increases our market opportunity while reducing our overall research and development expenses. Our value-added developers include Honeywell International Inc., Active Web Solutions Inc. and Ontec Inc.

We maintain a pricing model for our commercial products and services with a consistent wholesale rate structure. Under our distribution agreements, we charge our distributors wholesale rates for commercial products and services, subject to discount and promotional arrangements and geographic pricing. We also charge fixed monthly access fees per subscriber for certain services. Our distributors are in turn responsible for setting their own pricing to their customers. Our agreements with distributors typically have terms of one year and are automatically renewable for additional one year terms, subject to termination rights. We believe this business model provides incentives for distributors to focus on selling our commercial product and service portfolio and developing additional applications. An additional benefit of this model is simplicity. This model lessens back office complexities and costs and allows distributors to remain focused on revenue generation.

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Our two largest distributors, Vizada and Stratos, represented 11.3% and 10.7% of our revenue for the year ended December 31, 2009. During April 2009, Inmarsat, one of our main competitors, acquired Stratos. No other distributor represented more than 10.0% of our revenue for the year ended December 31, 2009.

Government Markets

We provide mission critical mobile satellite products and services to all military branches of the DoD as well as other U.S. government customers. These users require voice and two way data capability with global coverage, low latency, mobility and security and often have no alternate terrestrial communication capability, or rely on mobile satellite services as an important backup system. We believe we are well positioned to take advantage of increased demand from such users. Our 9505A satellite handset is the only commercial mobile handheld satellite phone available on the market that is capable of Type I encryption accredited by the U.S. National Security Agency for Top Secret voice communications. In addition, the DoD has made significant investments to build a dedicated gateway in Hawaii to provide operational security and allow DoD handset users to communicate with other U.S. government security communications equipment. This gateway is only compatible with our satellite network.

We provide airtime and airtime support to U.S. government customers pursuant to an Enhanced Mobile Satellite Services, or EMSS, contract managed by the Defense Information Systems Agency, or DISA, which administers the contract on behalf of DoD and other U.S. government and international customers authorized by DoD to use EMSS services. The contract, entered into in April 2008, provides for a one-year base term and up to four additional one-year options exercisable at the election of the U.S. government. The current term of the EMSS contract will expire on March 31, 2010, subject to further extension by the U.S. government. The U.S. government has notified us that it intends to exercise the second additional one-year option,which will extend the term through March 2011. Under this agreement, we provide U.S. government customers bulk access to our airtime services through the DoD s dedicated gateway, receiving from subscribers (i) fixed monthly fees on a per user basis for airtime services and voice usage, (ii) fixed monthly fee per user for paging services, (iii) a tiered pricing plan, based on usage per device, for data services, and (iv) a fixed monthly fee for Netted Iridium usage. In addition, the EMSS contract provides for monthly fees for active user-defined groups using Netted Iridium. The U.S. government is not required to guarantee a minimum number of users pursuant to this agreement. Services furnished under the agreement include voice, netted voice, data, messaging and paging services. We do not sell our products and related accessories directly to U.S. government customers under the existing agreement. These products are sold to U.S. government customers through our network of distributors, which typically integrate them with other products and technologies.

We also provide maintenance services to the DoD s dedicated gateway in Hawaii pursuant to the Gateway Maintenance and Support Services Agreement, or GMSSA, a separate contract managed by DISA, which also was entered into in April 2008. As with the EMSS contract, the GMSSA provides for a one-year base term and up to four additional one-year options exercisable at the election of the U.S. government. The current term of the maintenance contract will expire on March 31, 2010, subject to further extension by the U.S. government. The U.S. government has notified us that it intends to exercise the second additional one-year option, which will extend the term through March 2011. The U.S. government may terminate either of these contracts, in whole or in part, at any time.

U.S. government services accounted for approximately 23.6% of our total revenues for the year ended December 31, 2009. Our U.S. government revenue includes only revenue derived from our two agreements with the DISA as well as other contract revenue related to research and development projects with the DoD. Such revenues do not include equipment or services to U.S. government agencies, including the DoD and FEMA, purchased through our distributors and offered through our commercial gateway. They also do not include revenues from services to most non-U.S. government agencies worldwide, including defense agencies. We consider such services commercial services, as they are provided through our commercial gateway. Although we cannot determine the amount of U.S. government revenues derived from our commercial gateway, we do not believe that such revenues are material.

Vertical Markets

The specialized needs of our global customers span many markets. Our system is able to offer our customers cost-effective communications solutions with 100% global coverage in areas underserved or unserved by existing telecommunications infrastructures. Our mission critical communications solutions have become an integral part of the communications and business infrastructure of many of our end-users. In many cases, our service is the only connectivity for these critical applications or is used to complement terrestrial communications solutions.

Our current principal vertical markets include land-based handset, maritime, aviation, M2M and government.

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Land-based Handset

We are one of the leading global providers of mobile satellite communications services to the land-based handset sector, providing handset services to areas not served or inconsistently served by existing terrestrial communications networks. As of November 2009, TMF Associates estimates that approximately 622,000 satellite handsets were in operation worldwide. Mining, forestry, construction, oil and gas, utilities, heavy industry and transport companies as well as public safety and disaster relief agencies constitute the largest portion of our land-based handset end-users. We believe that demand for mobile communications devices operating outside the coverage of terrestrial networks, combined with our small, lightweight, durable handsets with 100% global coverage, will allow us to capitalize on growth opportunities among such users.

Our land-based handset end-users utilize our satellite communications services for:

Voice and data: Multinational corporations in various sectors use our services for business telephony, e-mail and data transfer services and to provide pay telephony services for employees in areas inadequately served by terrestrial networks. Oil and gas and mining companies, for example, provide their personnel with our equipment solutions to survey new drilling and mining opportunities and for conducting routine operations in remote areas that are not served by cellular communications networks. In addition, a number of recreational, scientific and other outdoor segments rely on our mobile handheld satellite phones and services for use when beyond terrestrial wireless coverage.

Mobile and remote office connectivity: A variety of enterprises use our services to access voice calls, data, e-mail, internet and corporate network connections.

Public safety and disaster relief: Relief agencies, such as FEMA, and other agencies such as the Department of Homeland Security have built our products and services into their emergency response plans, particularly in the aftermath of Hurricanes Katrina, Rita, Wilma and Ike, the Asian tsunami, the Haitian and Chilean earthquakes and other natural disasters. These agencies generate significant demand for both our voice and data products, especially during the late summer months in anticipation of the hurricane season in North America.

Public telephone infrastructure: Telecommunications service providers use our services to satisfy regulatory mandates to provide communications services to rural populations currently not served by terrestrial infrastructure. Telstra Corporation, for example, uses our services to comply with its obligations to provide communications services to customers in certain remote parts of Australia.

Maritime

The maritime market is one of our most significant market opportunities. Currently, our principal competitor in this market is Inmarsat. End-users of our services in the maritime sector include companies engaged in merchant shipping, passenger transport, fishing, energy and leisure. Merchant shipping accounts for a significant portion of our maritime revenues, as those ships spend the majority of their time at sea away from coastal areas and out of reach of terrestrial communication services. Our products and services targeting the maritime market typically have high average revenue per subscriber with multiple users utilizing a single device. Once a system is installed on a vessel, it often generates a long-term recurring revenue stream from the customer. As a consequence, from time to time we may offer equipment below our costs to promote new activations.

We believe increased regulatory mandates and increased demand for higher-speed, low-cost data services will allow us to capitalize on significant growth opportunities in this market. We believe our high-speed data service, Iridium OpenPort, which offers speeds of up to 128 kbps and up to three voice lines, presents a cost competitive, high speed communication alternative to end-users in the maritime market, which we believe will allow us to more effectively compete with Inmarsat s strong position in the maritime data sector.

Maritime end-users utilize our satellite communications services for the following:

Data and information applications: Ship operators and crew use our services to send and receive e-mail and data files as well as facsimiles, and to receive other information services such as electronic newspapers, weather reports, emergency bulletins and electronic charts. We believe Iridium OpenPort provides an attractive alternative for shipping operators and fishing fleets looking for cost savings, as well as for yachts, work boats and other vessels for which traditional marine satellite systems have typically been costly and underperforming.

Voice services for crew: Maritime global voice services are used for both vessel operations and communications for crew welfare. Merchant shipping operators use pre-paid phone cards for crew use at preferential around-the-clock flat rates.

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Vessel management, procurement and asset tracking: Shipping operators, such as Exmar Shipmanagement N.V., Lauritzen Fleet Management A/S and Zodiac Shipping Ltd., use our services to manage operations on board ships and to transmit data, such as course, speed and fuel stock. Our services can be integrated with a global positioning system to provide a position reporting capability. Many fishing vessels are required by law to carry terminals using approved mobile satellite services for tracking purposes as well as to monitor catches and to ensure compliance with geographic fishing restrictions. European Union regulations, for example, require EU-registered fishing vessels of over 15 meters to carry terminals for the purpose of positional reporting of those vessels. Furthermore, new security regulations in certain jurisdictions are expected to require tracking of merchant vessels in territorial waters, which would provide an additional growth opportunity.

Safety applications: Ships in distress, including as a result of potential piracy, hijack or terrorist activity, rely on mobile satellite voice and data services. The Ship Security and Alert Systems, or SSAS, regulations were adopted by the International Maritime Organization, or IMO, to enhance maritime security in response to the threat from terrorism and piracy. After July 1, 2004, most deep-sea passenger and cargo ships must be fitted with a device that can send an alert message containing the ship s ID and position whenever the ship is under threat or has been compromised. We and our partners are developing several solutions to meeting this requirement for merchant vessels. The Global Maritime Distress and Safety System, or GMDSS, is an application built to alert a maritime rescue coordination center of their situation and position, which then coordinates rescue efforts among ships in the area. The IMO requires all cargo vessels over 300 gross tons and certain passenger vessels, irrespective of size, that travel in international waters to carry distress and safety terminals that use GMDSS applications. Our products and services are currently not certified to be used in GMDSS applications. However, we are currently exploring obtaining such certification and expect to offer such services if these are obtained.

Aviation

We are one of the leading global providers of mobile satellite communications services to the aviation sector. In the aviation sector, our satellite communications services are used principally by corporate jets, corporate and government helicopter fleets, specialized general aviation fleets, such as medevac companies and fire suppression and other specialized transport fleets, and high-end personal aircraft. Our services are also being employed by airline operators for passenger and cockpit voice services and safety applications. Our voice and data devices from our manufacturers and developers have become factory options for a range of airframe manufacturers and fractional operators in business aviation and air transport, such as NetJets Inc., Gulfstream Aerospace Corporation, Bombardier Inc., Cessna Aircraft Company and Empresa Brasileira de Aeronautica S.A., and have become standard equipment on some of their aircraft fleets. Our devices are also installed in the aftermarket on a variety of aircraft.

Aviation end-users utilize our satellite communications services for:

Aviation operational communications: Aircraft crew and airline ground operations use our services for air-to-ground telephony and data communications. This includes the automatic reporting of an aircraft s position and mission critical condition data to the ground and controller-pilot data link communication for clearance and information services. We provide critical communications applications for airlines and air transport customers such as Continental Airlines, Cathay Pacific Airways and El Al Airlines. Many of these operators rely on our services and applications because there is no other communications service available to them in areas such as the polar regions. We maintain relationships with ARINC Incorporated and SITA, SC, two of the leading providers of voice and data network communications service and applications to the airline sector, which integrate our products and services into their offerings.

Aviation passenger communications: Commercial and private fleet aircraft passengers use our services for air-to-ground telephony, fax services and data communications. Operators are currently using our services to allow passengers to e-mail using their own Wi-Fi enabled mobile phones, including Blackberry devices or other similar smartphones, without causing interference with aircraft controls. We believe our distributors small, lightweight cost-effective solutions offer an attractive alternative for airlines and operators, particularly small fleet operators.

Rotary and general aviation applications: We are also a major supplier for rotary aviation applications to end-users including medevac, law enforcement, oil and gas, and corporate work fleets, among others. Companies such as Air Logistics, EagleMed and Air Evac Lifeteam rely on applications from our distributors for traditional voice communications, fleet monitoring and management

and real time flight diagnostics.

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Air traffic control communications, or safety applications: In November 2007, the International Civil Aviation Organization, or ICAO, approved standards and recommended practices allowing us to provide Aeronautical Mobile Satellite (Route) Services to commercial aircraft on long-haul routes, many of which fly over the polar regions. The ICAO decision permits member states to approve our equipment for communications on transoceanic flights, pending certification. The first certification trials are currently underway. Upon receiving such certification, aircraft crew and air traffic controllers will be able to use our services for data and voice communication between the flight deck and ground based control facilities. We are the only provider capable of offering such critical flight safety applications around the entire globe, including the polar regions. We believe this particular sector of the market will present us with significant growth opportunities, as our services and applications will serve as a lower cost alternative to the current aging high frequency radio systems that are more expensive to operate.

Machine-to-Machine

We are one of the leading providers of satellite-based M2M services. We believe the significant under-penetration of this market presents opportunities for future growth. As with land-based handsets, our largest M2M users include mining, construction, oil and gas, utilities, heavy industry, forestry and transport companies, as well as public safety and disaster relief agencies. We believe increasing demand for automated data collection processes from mobile and remote assets operating outside the coverage of terrestrial wireline and wireless networks, as well as the continued push to integrate the operation of such assets into enterprise management and information technology systems, will likewise increase demand for our M2M applications.

Our M2M services are used for:

Transportation fleet management: Our global coverage permits our products and services to be used to monitor the location of transport fleets, hours of service and engine telemetry data, as well as to conduct two-way communications with drivers around the entire world. Long distance drivers need reliable communication with both dispatchers and their destinations to coordinate changing business needs, and our satellite network provides continuous communications coverage while they are in transit. We expect the push for more efficient, cost-effective and safer fleet operations as well as the imposition of regulatory mandates related to driver safety, such as drive time monitoring, will drive demand for our services in this area.

Fixed-asset monitoring: Multinational corporations, such as oil-field service companies like Schlumberger Limited and Conoco Phillips, use our services to run applications that allow remote monitoring and operation of equipment and facilities around the globe, such as oil pipelines and off-shore drilling platforms.

Asset tracking: Leveraging M2M applications developed by several of our distributors, companies use our services and related devices to track assets, including personnel, for logistics, theft-prevention and safety purposes. Transportation companies, such as Horizon Lines, Inc., for example, employ M2M applications developed by Impeva Labs, Inc. to track containers while in transit. Premier GPS Inc. similarly develops applications that allow companies to monitor the safety of personnel operating in remote regions of Canada.

Resource management: Our global coverage and data throughput capabilities support natural resource management applications such as fishing management systems. Zunibal S.A., one of our resellers, has developed applications for the fishing industry to assist fishing fleets in pursuing more efficient fishing practices.

Scientific data monitoring: The global coverage of our network supports many scientific data collection applications such as the Argo float program of the National Oceanographic and Atmospheric Administration, or NOAA. This program relies on our M2M services to collect climate data from buoys located throughout the world s oceans for monitoring and analysis. We believe the increased need for monitoring climate and environmental data associated with global climate change and human impact on the planet will increase demand for such services.

Government

We are one of the leading global providers of mobile satellite communications services to the U.S. government, principally, the DoD. We provide mobile satellite products and services to all branches of the U.S. armed forces. Our voice products are used by soldiers for a variety of primary and backup communication solutions, including logistical, administrative, morale and welfare and emergency communications. In addition, our products and related applications are installed on ground vehicles, ships, helicopters and fixed-wing aircraft, embedded in unattended sensors and used for command and control and situational awareness purposes. Global security concerns are among the factors driving demand for our products and services in this sector. See U.S. Government Services for more information.

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Services and Products

At December 31, 2009, we had approximately 369,000 subscribers worldwide. Of these, 7.2% were M2M subscribers who elected to suspend their accounts and as a result were not generating any fees at such time. While certain of these are due to the seasonal nature of usage, if in the future we elect to charge a fee for maintenance of a suspended account, we expect that a substantial number of these suspended accounts will ultimately be deactivated. Our principal services are mobile satellite services, including mobile voice and data services and M2M services. Sales of our commercial services collectively accounted for approximately 50.2% of our total revenue for the year ended December 31, 2009. We also sell related voice and data equipment to our customers, which accounted for approximately 26.2% of our total revenue for the year ended December 31, 2009. In addition, we offer services to U.S. government customers, including the DoD. U.S. government services accounted for approximately 23.6% of our total revenue for the year ended December 31, 2009.

Our Commercial Services

Post-paid Mobile Voice and Data Satellite Communications Services

We sell our mobile voice and data services to service providers and resellers who in turn offer such services to end-users, either directly or indirectly through dealers, through various packaged solutions such as monthly plans with differing price levels that vary depending upon expected usage. In exchange for these services, we typically charge service providers and resellers a monthly access fee per subscriber as well as usage fees for airtime minutes used by their respective subscribers. A small number of our post-paid customers purchase monthly blocks of airtime minutes which must be used in a given month or are forfeited.

Prepaid Mobile Voice Satellite Communications Services

We also offer mobile voice services to service providers and resellers through prepaid plans. Service providers and resellers pay us in advance for blocks of airtime minutes with expiration periods in various configurations, typically one year. Unused minutes are forfeited at the applicable expiration date. These services are then typically sold to subscribers in the form of prepaid scratch cards and e-vouchers that enable subscribers to use our services on a per minute basis. We believe service providers and resellers are drawn to these services as they enable greater cost control, since they eliminate the need for monthly billings and reduce collection costs, and can be sold in cash economies where credit is not readily available. Our distributors often offer our prepaid voice services through fixed devices to subscribers in rural villages, at remote industrial, commercial and residential sites and on ships at sea, among other places. Fixed voice satellite communications services are in many cases an attractive alternative to handheld mobile satellite communications services in situations where multiple users will access the service within a defined geographic area and terrestrial wireline or wireless service is not available. Fixed phones, for example, can be configured as pay phones that accept prepaid scratch cards and e-vouchers and can be installed at a central location, for example in a rural village or maritime vessel.

High-Speed Data Services

In October 2008, we introduced our high-speed data maritime service, Iridium OpenPort, which offers maritime end-users speeds of up to 128 kbps and up to three voice lines which can be used simultaneously without interference. Data rates on this service can be adjusted up or down at any time without making hardware or software changes, giving subscribers options that allow them to balance needs for data transmission speeds against cost considerations on a real-time basis. In conjunction with our distributors, we offer additional services that permit service providers and resellers to offer complete integrated solutions for ship-to-shore crew calling, e-mail and IP-based data communications. We believe Iridium OpenPort, our first high-speed data service in the maritime market, offers a competitive alternative to other marine satellite services that offer fewer features at higher costs. For our Iridium OpenPort service, we typically charge service providers and resellers a monthly access fee per subscriber as well as usage fees for airtime minutes used by the respective subscribers above their monthly quotas. We plan to introduce additional high-speed data products and services in the future.

Machine-to-Machine Services

Introduced in 2003, our M2M services are designed to address the market need for a small and cost-effective solution for sending and receiving data, such as location, from fixed and mobile assets in remote locations to a central monitoring station. This service operates through a two-way short burst data transmission between our network and a telemetry unit, which may be located, for example, on a container in transit or a buoy monitoring oceanographic conditions. The small size of the units makes them attractive for use in applications such as tracking asset shipments, monitoring unattended remote assets, including oil and gas assets, vehicle tracking and mobile security. We sell our M2M services to our distributors who in turn offer such services to end-users such as various U.S. and international governmental agencies, including NOAA, as well as

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commercial and other entities such as Schlumberger Limited, Continental Airlines and Conoco Phillips. As with our mobile voice and data offerings, we typically charge service providers and resellers a monthly access fee per subscriber as well as usage fees for airtime minutes used by their respective subscribers.

Other Services

In addition to access and usage fees, we generate revenue from several ancillary services related to our core service offerings, such as inbound connections from the public switched telephone networks, or PSTN, short message services, or SMS, subscriber identity module, or SIM, activation, customer reactivation and other peripheral services. We also provide research and development services to assist customers in developing new technologies compatible with our system which we may leverage for use in commercial service and product offerings in the future. We charge our distributors fees for these services.

In the future, we anticipate the ability to provide secondary payload services to customers during the life of our next-generation constellation, Iridium NEXT, which will replace our current satellite constellation. Currently, we are providing research and development services to potential secondary payload customers.

U.S. Government Services

We provide U.S. government customers bulk access to our services, including voice, netted voice, data, messaging and paging services, as well as maintenance services for the DoD s dedicated gateway in Hawaii. We provide airtime to U.S. government subscribers through (i) fixed monthly fees on a per user basis for airtime services and usage for voice, (ii) fixed monthly fee per user for paging services, (iii) a tiered, usage-based pricing plan per device for data services and (iv) a fixed monthly fee for Netted Iridium usage. U.S. government customers also rely on our voice and data products, which they purchase from our network of distributors. To comply with U.S. government regulations, we ensure handsets sold for use in certain U.S. government applications are manufactured wholly in the United States. Resellers and manufacturers typically integrate our products with other products, which they then offer to U.S. government customers as customized product solutions. Such customized voice and data solutions include:

- personnel tracking devices, such as personal locator beacons;
- asset tracking devices for equipment, vehicles and aircraft;
- over-the-horizon (beyond line of sight) aircraft communications applications;
- submarine communications applications;
- specialized communications solutions for high-value individuals; and
- specialized, secure, mobile communications and data devices for the military and intelligence community, such as secure satellite handsets with U.S. National Security Agency Type I encryption capability.

With funding support from the DoD, we continue to invest in research and development to develop new products and applications for use by all branches of the U.S. armed forces. In conjunction with the U.S. Navy, we and our partners recently introduced Netted Iridium, which uses a new line of radio-only satellite devices which permit over-the-horizon push-to-talk group calling services for a user-defined group, or net. We expect the introduction of Netted Iridium to provide us with the potential for future new commercial applications in public safety, fishing and field worker communications. In conjunction with The Boeing Company, or Boeing, and with funding from the U.S. government, we are also developing a high integrity iGPS service, which may be used as an embedded component in various DoD applications. Our iGPS technology is expected to provide centimeter level accuracy and important anti-jamming capability for GPS signals.

Our Products

We offer a broad array of voice and data equipment products for customers that work worldwide. Our devices or an antenna must be outside, within direct view of a satellite, to be able to properly access our network.

Satellite Handsets

Historically, our principal product offering was our Iridium 9505A satellite handset phone, which is similar in functionality to an ordinary cellular phone but with the solid, durable feel that many satellite phone users demand. This phone weighs 13.2 ounces and is capable of up to three hours of talk time without being recharged. The Iridium 9505A provides voice, SMS and data connectivity. We believe our reputation for industrial strength products is critical for customers, many of whom are located in the most inhospitable spots on the planet and require tough and reliable communications equipment.

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In October 2008, we launched our next generation satellite handset, the Iridium 9555. This new model introduces several new features, including a larger, brighter screen, improved SMS and e-mail capabilities, an integrated antenna and speakerphone and is smaller, lighter (weighing 9.4 ounces) and more user-friendly than the Iridium 9505A model. The Iridium 9555 also offers up to four hours of talk time. The new model maintains the industrial feel of its predecessor, with a rugged housing to protect its sophisticated satellite transceiver. We believe the Iridium 9555 satellite handset offers significant improvements over our earlier-generation equipment and that it will drive increased adoption from prospective users. At this time, the government has not requested a version of the Iridium 9555, which under applicable regulations would be required to be U.S.-manufactured.

Voice and Data Modems

We also offer a combined voice transceiver and data modem, which our distributors integrate into a variety of communications solutions that are deployed in different applications around the world. Historically, our principal modem was our Iridium 9522A L-Band transceiver, which is effectively the core of our Iridium 9505A satellite handset without a key pad, display, earpiece and microphone. In November 2008, we launched our next generation transceiver, our Iridium 9522B L-Band transceiver. This new model is smaller and less expensive than our previous Iridium 9522A model, which allows our customers to integrate it into smaller devices while improving our margins as well as the margins of our distributors. The Iridium 9522B is functionally equivalent to the Iridium 9522A, which will allow our distributors to easily integrate it into existing applications.

Our principal customers for our L-Band transceivers are VAMs who integrate it into specialized devices that access our network. These specialized products are often the highest generators of traffic on our network. On-board crew calling terminals built around the Iridium 9522A, which are used as payphones on maritime vessels, for example, have 10 to 20 times the average usage of a handheld phone, in part because they are shared across a large group of users. These products have also been integrated into mobile data applications providing e-mail services on maritime vessels.

High-Speed Data Devices

In October 2008, we introduced our Iridium OpenPort high-speed data terminal. This device provides dynamic allocation of three independent telephone lines and a high-speed data port configurable from 9.6 to 128 kbps. All voice and data capabilities can be used at the same time. The terminal relies on a relatively compact omni-directional antenna array about the size of a typical small-boat radar dome and contains no moving parts, which greatly reduces cabling, maintenance and repair costs. Our principal customers for Iridium OpenPort are our VARs who integrate the device with their own hardware and software products to provide a suite of customer-focused voice and IP-based data packages for ship business, crew calling and e-mail. We believe the low cost of our OpenPort terminal, combined with our high bandwidth and flexible configuration options, will allow us to grow our share of the existing maritime market while opening up new market sectors, such as luxury yachts, tug boats and other fishing and cruising vessels for which traditional marine satellite systems have typically been too costly. We expect to launch additional high-speed data devices for non-maritime markets in the future.

Machine-to-Machine Data Devices

In 2006, we introduced our Iridium 9601 short burst data modem, which provides our M2M services. The Iridium 9601 is a small data device with two-way transmission capable of sending packet data to and from any point in the world with low latency. Our principal customers for our Iridium 9601 data modems are VARs and VAMs, who embed the Iridium 9601 into their tracking, sensor, and data applications and systems, such as asset tracking systems. The Iridium 9601 is often combined with a GPS receiver to provide location information across our system to customer applications. In addition, an increasing number of resellers and manufacturers are including a terrestrial global system for mobile communication, or GSM, packet radio service modem in their applications to provide low cost cellular data transmission when available. These applications are used by end-users that require the ability to transfer large volumes of data but operate in areas with inconsistent cellular coverage. We provide gap-filler coverage for such applications allowing such users to operate anywhere on the globe in locations where cellular coverage is unavailable or unreliable.

In January 2010, we announced the development and anticipated introduction of the Iridium 9602 full-duplex short burst data transceiver, which is designed to replace the Iridium 9601. The Iridium 9602 is smaller, lighter and less expensive that the Iridium 9601, and we expect it to be available for commercial delivery in June 2010. Our phase-out program for the Iridium 9601 will ensure that our VARs and VAMs will be able to transition seamlessly to the new technology.

Device Development and Manufacturing

Currently, we contract with Cambridge Consulting Ltd., or Cambridge, and certain other suppliers to develop all of our devices, and with Celestica Corporation, or Celestica, a contract manufacturer, to manufacture our devices in facilities in

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Malaysia and the United States. We maintain agreements with a number of suppliers, including Cambridge and Celestica. Pursuant to the contract with Celestica, we may be required to purchase excess materials from Celestica at cost plus a contractual markup if the materials are not used in production within the periods specified in the agreement. Celestica will then generally repurchase such materials from us at the same price paid by us, as required for the production of the devices. Our agreement with Celestica is automatically renewable for additional one year terms unless terminated by either party. We generally provide our distributors with a warranty on subscriber equipment for one to two years from the date of activation, depending on the product. We also utilize other suppliers, some of which are sole source, to manufacture certain component parts of our devices.

In addition to our principal products, we also offer a selection of accessories for our devices, including holsters, earbuds, portable auxiliary antenna, antenna adaptors, USB data cables and charging units, among others. We purchase these products from several third-party suppliers either pursuant to contractual agreements or off the shelf at market prices.

Our Spectrum

We hold licenses to use 8.725 MHz of continuous spectrum in the L-Band, which operates at 1.6 GHz, and allows for two-way communication between our devices and our satellites. In addition, for feeder and inter-satellite links, we are authorized to use 600 MHz of Ka-Band and K-Band spectrum. Of this spectrum, we use 200 MHz of K-Band spectrum for satellite-to-satellite communications, and 400 MHz of Ka-Band spectrum for two-way communication between our satellites and our gateways. Our spectrum position is globally coordinated and recorded by the International Telecommunication Union, or ITU. Our products and services are offered in over 100 countries and we continue to seek authorizations in additional countries. Access to this spectrum enables us to design satellites, network and terrestrial infrastructure enhancements cost effectively because each product and service can be deployed and sold worldwide. This broad spectrum assignment also enhances our ability to capitalize on existing and emerging wireless and broadcast applications.

The Federal Communications Commission, or FCC, initially licensed us to operate on 5.15 MHz of the 10.5 MHz of spectrum which Motorola Inc., or Motorola, originally designed our system to operate within and later increased our license spectrum to include an additional 3.1 MHz on a shared basis with Globalstar. In November 2007, an FCC order increased our exclusive spectrum to 7.775 MHz with an additional 0.95 MHz shared with Globalstar. On May 1, 2009, the U.S. Court of Appeals for the D.C. Circuit denied a petition for review filed by Globalstar of the FCC s decision to reallocate L-band spectrum from Globalstar to us. The decision of the U.S. Court of Appeals for the D.C. Circuit became final and non-reviewable on July 30, 2009, because Globalstar did not seek rehearing en banc with the U.S. Court of Appeals for the D.C. Circuit or file a petition for certiorari with the U.S. Supreme Court. Globalstar has also filed a petition before the FCC asking for reconsideration of the global effects of the license modification, contending that the FCC s decision should not have affected Globalstar s operations outside of the United States. We have opposed the reconsideration request as without merit, and no decision has been issued by the FCC. The disposition by the U.S. Court of Appeals for the D.C. Circuit does not directly impact Globalstar s pending petition for reconsideration of the FCC decision to modify Globalstar s license on a global basis. Notwithstanding these challenges by Globalstar at the FCC, modifications to our and Globalstar s licenses consistent with the November 2007 spectrum change took effect on a global basis on December 14, 2008, in accordance with federal law. After the modifications became effective, Globalstar filed before the FCC a request for waivers and special temporary authority to continue operating on spectrum licensed to us in certain gateways outside of the United States. Thereafter, Globalstar modified its request. We opposed Globalstar s request, but the FCC has not yet taken any action.

Our use of satellite spectrum is subject to the frequency rules and regulations of the ITU. The ITU is the United Nations organization responsible for worldwide co-operation in the telecommunications sector. In order to protect satellite systems from harmful radio frequency interference from other satellite systems, the ITU maintains a Master International Frequency Register of radio frequency assignments. Each ITU administration is required to give notice of, coordinate and record its proposed use of radio frequency assignments with the ITU s Radiocommunication Bureau. The coordination negotiations are conducted by the national administrations with the assistance of satellite operators. When the coordination process is completed, the ITU formally notifies all proposed users of frequencies and orbital locations in order to protect the recorded assignments from subsequent nonconforming or interfering uses by member states of the ITU. Only member states have full standing within this inter-governmental organization.

Filings to the ITU for our current constellation have been made on our behalf by the United States. We have coordinated frequencies in the mobile satellite services spectrum at L-band (1.6 GHz) for communication between our satellites and end-user devices, frequencies in the Ka-Band (19.4 GHz to 19.6 GHz and 29.1 to 29.3 GHz) for communications between us and the gateways and our satellites, as well as frequencies in the K-Band (23 GHz) for our inter-satellite links.

The ITU controls the assignment of country codes used for placing telephone calls between different countries. Our network is assigned the 8816 and 8817 country codes, and uses these numbers for calling and communications between terminals.

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Domestic and Foreign Revenue

We supply services and products to customers in a number of foreign countries. We allocate revenues geographically based on where we invoice our distributors, whom we bill for mobile satellite services and related equipment sales, and not according to the location of the end-user. These distributors sell services directly or indirectly to end-users, who may be located elsewhere. It is not possible for us to provide the geographical distribution of end-users, as we do not contract directly with them. The majority of our revenues are invoiced in U.S. dollars. U.S. revenues accounted for approximately 48.1% of our revenues between 2007 and 2009. The table below sets forth the percentage of our revenues by country for the period indicated:

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
United States	48.0%	48.6%	47.6%
Canada	16.9%	17.2%	14.8%
United Kingdom	8.0%	8.0%	10.1%
Other Countries(1)	27.1%	26.2%	27.5%

(1) No other single country represents more than 10% of our revenue for any of the periods indicated.

For more information about our revenue from sales to foreign and domestic customers, see Note 12 to our consolidated financial statements and Note 12 in Iridium Holdings financial statements contained herein.

Traffic Originating Outside the U.S.

A significant portion of our voice and data traffic originates outside the United States. The table below estimates the percentage of our commercial voice and data traffic originating outside the United States for the years ended December 31, 2007, 2008 and 2009.

	Year ended December 31, 2007	Year ended December 31, 2008	Year ended December 31, 2009
Commercial voice traffic (minutes)	92.1%	90.1%	90.2%
Commercial data traffic (kilobytes)	52.4%	74.7%	68.9%

Our Network

Current Constellation

Our satellite network includes 66 in-orbit LEO satellites, in addition to in-orbit spares. We also maintain a non-service in-orbit spare which we use for testing purposes. The satellites operate in six orbital planes of eleven vehicles each in nearly circular polar orbits. Our satellites orbit at an altitude of approximately 483 miles (778 kilometers) above the earth and travel at 16,689 mph resulting in a complete orbit of the earth approximately every 100 minutes. The design of our constellation ensures that generally at least one satellite is visible to subscribers from any point on the earth s surface, covering all of the world s population. While our constellation offers 100% global coverage, satellite services are not available in locations where a satellite signal cannot be transmitted or received or when the device or antenna does not have a direct line of sight to a satellite, such as inside a building.

Our constellation is unique in its usage of radio frequency crosslinks between our satellites. These crosslinks enable each satellite to communicate with up to four other satellites in space two in the same orbital plane and two in adjacent planes. Our traffic is generally routed between satellites, which minimizes the ground infrastructure necessary to support the constellation. This interlinked architecture enables a single ground station gateway to support all commercial traffic globally. This design allows the satellite that is then passing over the ground station to transmit all traffic to and from the rest of the satellite constellation to terrestrial-based networks such as the PSTN.

We believe our interlinked satellite infrastructure provides several advantages over networks that rely on terrestrial gateways like Globalstar s and ORBCOMM s networks. We have the only satellite network with 100% global coverage, and our constellation is less vulnerable to single points of failure, since traffic can be routed around any one satellite problem to complete the communications path. In addition, the small number of ground stations increases the security of our constellation, a factor that makes our network particularly attractive to government institutions and large enterprises that desire secure voice and data communications. The low orbit of our constellation also allows our network to operate with low latency due to the proximity of our satellites to the earth.

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Our satellites are similar in design and functionality, which allows satellite diversity for mitigation of service gaps from individual satellite outages. Each satellite has a high degree of on-board subsystem redundancy, an on-board fault detection system and isolation and recovery for safe and quick risk mitigation. Our ability to reconfigure the orbital location of each satellite provides us with operating flexibility and enhances our ability to maintain commercially-acceptable level of service. If a satellite should fail or become unusable, in most cases, we can reposition one of our in-orbit spare satellites to take over its functions. If there is an in-orbit spare located in the orbital plane of the failed satellite, such repositioning can often be accomplished within days with minimal impact on our services. If there is no in-orbit spare located in the relevant orbital plane, redeploying an in-orbit spare into the affected plane will take at least one year. The design of our space and ground control system facilitates the real time intervention and management of the satellite constellation and service upgrades via software enhancements.

Our commercial gateway is located in Tempe, Arizona. This gateway has multiple antennas that communicate with our satellites and pass calls seamlessly between gateway antennas and satellites as the satellites traverse the gateway, thereby connecting signals from the terminals of end-users to our gateway. Additional gateways can be added to the network to enable dedicated communications links that are not dependant on localized terrestrial telecommunications infrastructure where subscribers are using our services. Such gateways would be able to generate and control all user information pertaining to our registered users, such as user identity, geo-location and call detail records. The DoD owns and operates a dedicated gateway in Hawaii for U.S. government users to take advantage of this capability. This gateway provides an interface between voice and data devices and the Defense Information Systems Network, providing DoD users with secure communications capabilities. We are also in discussions with parties in countries that require physical gateways within their jurisdiction to build or reactivate additional gateways to connect the traffic to the constellation coming to and from their territory, including China and Russia.

We operate our satellite constellation from our satellite network operations center in Leesburg, Virginia. This facility manages the performance and status of each of our satellites, developing and distributing routing tables for use by the satellites and gateways, directing traffic routing through the network and controlling the formation of coverage areas by the satellites main mission antennas. We also operate telemetry, tracking, and control stations, or TTACs, and satellite earth station facilities in Fairbanks, Alaska and Chandler, Arizona in the United States, and in northern Canada and Norway. The Alaskan ground station also provides earth terminal backup capability for the Tempe gateway.

From time to time, individual satellites in our constellation experience operating problems that may result in a temporary satellite outage, but due to satellite diversity within our constellation, the individual satellite outages typically do not negatively affect our customers use of our system for a prolonged period. In addition, most system processing related to our service is performed using software onboard each satellite instead of on the ground. We believe this has provided us with significant flexibility and has contributed to the longevity of the system by enabling engineers to develop additional functionality and software-based solutions to occasional faults and anomalies in the system.

We have experienced seven satellite losses since we reintroduced commercial satellite services in 2001 that have resulted in the complete loss of the affected satellites or the loss of the ability of the satellite to carry traffic on the network. Six of these losses were from satellites that failed in orbit and one satellite was lost as a result of a collision with a non-operational Russian satellite. To date, each time we have lost a satellite we have been able to replace it with an in-orbit spare.

Based on the failures and anomalies we have experienced to date, and considering the potential for future anomalies, we believe our current constellation will provide commercially acceptable level of service through approximately 2014. In addition, we believe our constellation can be operationally functional with less than 66 satellites while experiencing some service degradation. We expect to be able to mitigate most satellite failures through the use of the remaining in-orbit spares, the implementation of software solutions, and by landing communications traffic at our ground station in Alaska and backhauling traffic to the Tempe gateway for processing and termination. However, there can be no assurance that our satellites will not fail faster than expected or that we will be able to mitigate any future failures.

In addition to our in-orbit spare satellites, we own spare parts for certain equipment in our gateway and TTACs. We selectively replace parts for our gateway and TTACs as necessary and maintain an inventory of spare parts which we continuously monitor. In addition, when we do not have necessary spares in inventory or such spares become obsolete, we rely on third parties to develop necessary parts.

We contract with Boeing to operate our constellation pursuant to a long-term operations and maintenance agreement, which we refer to as the O&M Agreement. Under the terms of this agreement, Boeing provides operations and maintenance services with respect to our satellite network, including engineering, systems analysis and operations and maintenance services, from our technical support center in our Chandler, Arizona control station and our satellite network operations center in Leesburg, Virginia. The life of the agreement runs concurrent with the estimated useful life of our constellation.

Pursuant to a transition services, products and asset agreement, or the TSA, by and among Motorola, Iridium Holdings and Iridium Satellite and a separate agreement by and among Iridium Satellite, Boeing, Motorola and

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the U.S. government, Iridium Satellite is required to maintain an in-orbit liability insurance policy with a de-orbiting endorsement to cover the de-orbiting of our satellite constellation in the amount of $500.0 million per occurrence, and $1.0 billion in the aggregate. The current policy together with the de-orbiting endorsement covers amounts that we and certain other named parties may become liable to pay for bodily injury or property damages to third parties related to processing, maintaining and operating our satellite constellation and, in the case of the de-orbiting endorsement, de-orbiting the satellite constellation, although it contains exceptions for third-party damages which may result from the 2009 in-orbit satellite collision. The policy covers us, the U.S. government, Boeing, as operator of our system, Motorola and other named beneficiaries. The policy has been renewed annually since the expiration of the original policy s three-year term in 2003. The current policy has a one-year term, which expires December 12, 2010. In addition, Motorola maintains a separate $1.0 billion product liability policy to cover its potential liability as manufacturer of the satellites. We pay the premium for Motorola s policy. We do not maintain in-orbit insurance covering losses from satellite failures or other operational problems affecting our constellation.

Constellation De-Orbiting Obligations

When Iridium Satellite purchased the assets of Iridium LLC out of bankruptcy, Boeing, Motorola and the U.S. government required certain de-orbit rights as a way to control potential liability risk arising from future operation of the constellation and provide for the U.S. government s obligation to indemnify Motorola. As a result, an agreement was entered into by Iridium Satellite, Boeing, Motorola and the U.S. government, whereby the U.S. government obtained the right to, in its sole discretion, require us to de-orbit our constellation upon the occurrence of any of the following: (a) Iridium Satellite s failure to pay certain insurance premiums or maintain insurance; (b) Iridium Satellite s bankruptcy; (c) Iridium Satellite s sale or the sale of any major asset in its satellite system; (d) Boeing s replacement as the operator of Iridium Satellite s satellite system; (e) Iridium Satellite s failure to provide certain notices as contemplated by the agreement; or (f) at any time after June 5, 2009, unless extended by the U.S. government. The U.S. government also has the right to require us to de-orbit any of our individual functioning satellites, including in-orbit spares, that has been in orbit for more than seven years, unless the U.S. government grants a postponement. As of August 2009, all of our functioning satellites had been in orbit for more than seven years. We are currently in discussions with the U.S. government to extend the 2009 deadline.

Motorola also has the right to de-orbit our constellation pursuant to the TSA and pursuant to the O&M Agreement between Boeing and Iridium Constellation LLC, or Iridium Constellation, a subsidiary of Iridium Satellite. Under these agreements, Motorola may require the de-orbit of our constellation upon the occurrence of any of the following: (a) Iridium Holdings bankruptcy or the bankruptcy of Iridium Constellation or Iridium Satellite; (b) Iridium Holdings breach of the TSA; (c) Boeing s breach of the O&M Agreement or a related agreement between Boeing and Motorola; (d) an order from the U.S. government requiring the de-orbiting of our satellites; (e) Motorola s determination that changes in law or regulation may require it to incur certain costs relating to the operation, maintenance, re-orbiting or de-orbiting of our constellation; or (f) Motorola s failure to obtain, on commercially reasonable terms, product liability insurance to cover its position as manufacturer of the satellites, provided the U.S. government has not agreed to cover what would have otherwise been paid by such policy. Motorola recently filed a complaint against us in Illinois state court. This complaint is described in more detail under Legal Proceedings elsewhere in this report.

Pursuant to the O&M Agreement between Iridium Constellation and Boeing, Boeing similarly has the unilateral right to de-orbit our constellation upon the occurrence of any of the following events: (a) Iridium Constellation s or Iridium Satellite s bankruptcy; (b) the existence of reasonable grounds for Boeing to question the financial stability of Iridium Constellation; (c) Iridium Constellation s failure to maintain certain insurance policies; (d) Iridium Constellation s failure to provide Boeing certain quarterly financial statements; (e) Iridium Constellation s breach of the O&M Agreement, including its payment obligation thereunder; or (f) changes in law or regulation that may increase the risks or costs associated with the operation and/or re-orbit process or the cost of operation and/or re-orbit of the constellation.

In addition, we have certain de-orbit obligations under our FCC licenses, Specifically, pursuant to an orbital debris mitigation plan filed with the FCC and incorporated into our space station license in 2001, we are required to lower each satellite to an orbit with a perigee of approximately 250 kilometers as it reaches the end of its useful life and coordinate these orbit-lowering maneuvers with the United States Space Command. We have applied to modify our license to conform these requirements to the less stringent de-orbit standards adopted by the FCC in 2004 for all new satellite applications. Our modification application remains pending.

Iridium NEXT

Our satellites have so far exceeded their original design lives and we are currently developing our next-generation satellite constellation, Iridium NEXT, which we expect to commence launching in late 2014. The current constellation is expected to

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provide commercially acceptable level of service through approximately 2014. The new satellite constellation will be backward compatible with our first generation system and will replace the existing constellation with what we believe will be a more powerful and capable satellite network. We believe Iridium NEXT s increased capabilities will expand our target markets by enabling us to develop and offer a broader range of products and services, including a wider array of cost-effective and competitive broadband data services.

Iridium NEXT will maintain the current system s key attributes, including LEO architecture, the capability to upload new software, global coverage, low latency and high network availability, and will continue to support existing applications and equipment. In addition, Iridium NEXT will allow us to develop and provide new and enhanced capabilities, such as:

- higher speeds and greater flexibility for core voice and data services;
- the ability to host lower cost, private network gateways, providing greater control of voice and data traffic; and
- regional broadcast capabilities, enabling global paging and point-to-multi-point broadcasting of data services to select groups.

In addition, Iridium NEXT will be designed to host secondary payloads for U.S. and international government and commercial customers, including remote sensing and climate monitoring applications. If such secondary payloads were in fact built on Iridium NEXT, they have the potential to generate cash and deferred revenue during the construction phase of Iridium NEXT and the potential to generate recurring revenue once Iridium NEXT is launched.

In 2007, we conducted a request for information with over 60 companies for the development and launch of Iridium NEXT. We have since narrowed our search for a prime system contractor to two companies, Lockheed Martin Corporation Space Systems Company and Thales Alenia Space France. These companies are currently working with input from our engineers to design a system that satisfies our technical, timing and cost requirements. We expect to enter into a definitive agreement with a prime contractor for the design, manufacture and deployment of our new constellation in 2010. We estimate the aggregate costs associated with the design, build and launch of Iridium NEXT and related infrastructure upgrades through 2016 to be approximately $2.7 billion. We expect to fund a substantial portion of these costs from internally generated cash flows, including potential revenues from secondary payloads and warrant proceeds. We expect to finance the remaining cost by raising additional debt or equity financing.

Competition

The global communications industry is highly competitive. We currently face substantial competition from other service providers that offer a range of mobile and fixed communications options. Our most direct competition comes from other global mobile satellite services providers. Currently, our principal global mobile satellite services competitors are Inmarsat, Globalstar and ORBCOMM. We compete primarily on the basis of coverage, quality, mobility and pricing of services and products.

Our main competitor, United Kingdom-based Inmarsat, has been a provider of communications services, including voice and data services, since 1982. Inmarsat owns and operates a fleet of GEO satellites. Unlike LEO satellites, GEO satellites orbit the earth at approximately 22,300 miles above the equator. GEO operators require substantially larger and more expensive antennas, and typically have higher transmission delays than LEO operators. Due to its GEO system, Inmarsat s coverage area extends and covers most bodies of water except for a majority of the polar regions. Accordingly, Inmarsat is the leading provider of satellite communications services to the maritime sector. Inmarsat also offers land-based and aviation communications services. Immarsat has announced the development of a new handset which when introduced will compete with our products. During April 2009, Inmarsat acquired Stratos, one of our main distributors. Inmarsat generally does not sell directly to end-users.

U.S.-based Globalstar owns and operates a fleet of LEO satellites. Globalstar began commercial services in 2000. In addition, Globalstar s service is available only on a multi-regional basis as a result of its bent pipe architecture, which requires that voice and data transmissions be routed from satellites immediately to nearby ground stations. This design requires the use of multiple ground stations, which are impractical in extreme latitudes or over oceans. Unlike Inmarsat and us, Globalstar sells a higher percentage of its products and services directly to end-users. Globalstar has indicated that satellite failures and other problems affecting its constellation are affecting and will continue to affect its ability to provide two-way services in the future. Globalstar is also in the process of building its second-generation satellite constellation, which is expected to be launched between 2010 and 2012. It is currently planning to replace only 24 of the original 48 satellites during this time. In July 2009, Globalstar announced it has completed the financing of approximately $738.0 million for its second generation satellite constellation,

supported by credit insurance from Compagnie Française d Assurance pour le Commerce Extérieur S.A., or Coface, the export credit agency acting on behalf of the French government.

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U.S.-based ORBCOMM also provides commercial services using a fleet of LEO satellites. Like Globalstar, ORBCOMM s network also has a bent pipe architecture, which limits its coverage area. ORBCOMM s principal focus is low-cost data and M2M services, where it directly competes with our M2M offerings. ORBCOMM s services generally have a certain amount of latency, which may limit their use in certain mission critical applications. It does not offer voice service or high-speed data services. ORBCOMM is similarly developing its second-generation satellite constellation.

We also compete with regional mobile satellite communications services in several geographic markets. In these cases, the majority of our competitors customers require regional, not global, mobile voice and data services, so our competitors present a viable alternative to our services. All of these competitors operate GEO satellites. Our regional mobile satellite services competitors currently include Thuraya Telecommunications Co., or Thuraya, principally in Europe, the Middle East, Africa, Australia and several countries in Asia; and SkyTerra in North America. In addition, several regional mobile satellite services companies, including ICO Global Communications (Holdings) Limited, or ICO, TerreStar Corporation, or TerreStar, and SkyTerra Communications, Inc. or SkyTerra, are attempting to exploit their spectrum positions into a U.S. consumer mobile satellite services business; however such operators currently offer limited or no services. In July 2009, TerreStar launched its satellite TerreStar 1 is expected to launch its first handset during 2010.

We compete indirectly with terrestrial wireline (landline) and wireless communications networks. We provide service in areas that are inadequately covered by these ground systems. To the extent that terrestrial communications companies invest in underdeveloped areas, we will face increased competition in those areas. We believe that local telephone companies currently are reluctant to invest in new switches, landlines and cellular towers to expand their networks in rural and remote areas due to high costs and limited usage. Many of the underdeveloped areas are sparsely populated so it would be difficult to generate the necessary returns on the capital expenditures required to build terrestrial wireless networks in such areas. We believe that our solutions offer a cost-effective and reliable alternative to terrestrial-based wireline and wireless systems.

We will also face competition for our land-based services in the United States from incipient ancillary terrestrial component, or ATC, service providers. In February 2003, the FCC adopted rules that permit satellite service providers to establish ATC networks. ATC authorization enables the integration of a satellite-based service with terrestrial wireless services, resulting in a hybrid mobile satellite services/ATC network designed to provide advanced services and broad coverage throughout the United States. The ATC network would extend satellite services to urban areas and inside buildings where satellite services currently are impractical. Outside the United States, other countries are considering implementing regulations to facilitate ATC services.

The mobile satellite services industry has significant barriers to entry, including the cost and difficulty associated with obtaining spectrum licenses and successfully building and launching a satellite network. In addition to cost, there is a significant amount of lead-time associated with obtaining the required licenses, building and launching the satellite constellation and deploying the ground network technology. We are aware of no other companies currently planning to enter the mobile satellite services industry.

Employees

As of December 31, 2009, we had 166 full-time employees, none of whom is subject to any collective bargaining agreement. We consider our employee relations to be good.

Intellectual Property

At December 31, 2009, we held eight U.S. patents with no additional U.S. patents pending and no foreign patents with one foreign patent pending. These patents cover several aspects of our satellite system, our global network and our devices. We continue to maintain all of our important patents.

In addition to our owned intellectual property, we also license critical system technology from Motorola, including software and systems to operate and maintain our network as well as technical information for the design and manufacture of our devices. This intellectual property is essential to our ability to continue to operate our constellation and sell our handsets. We maintain our licenses with Motorola pursuant to several agreements. Pursuant to one of these agreements, we pay a royalty equal to 2% of the manufacturing costs of subscriber equipment. One or more of these agreements can be terminated by Motorola upon: (i) any material change to certain portions of the certificate of formation and operating agreement of our subsidiary that is party to the agreements; (ii) any change of control, as defined; (iii) the commencement by or against Iridium Satellite of any bankruptcy proceeding or other specified liquidation proceedings; or (iv) the material failure of Iridium Satellite to perform or comply with any provision of certain of the agreements between Iridium Satellite and Motorola. In addition, Motorola has an annual right of non-renewal in respect of one of the intellectual property license agreements. Motorola has assigned a portion of the patents that comprise these licenses to a third-party.

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Motorola recently filed a complaint against us in Illinois state court alleging that the Acquisition constituted a change of control. This complaint is described in more detail under Legal Proceedings included elsewhere in this report. If the court were to hold that the Acquisition constituted a change of control, and the case were not settled, then Motorola would also have the right to terminate our intellectual property licenses.

We also license other system technology from additional third parties. We expect to license technology from Motorola and other third parties in connection with the development of Iridium NEXT and related ground infrastructure, products and services.

If Motorola or any such third party were to terminate any license agreement or cease to support and service this technology, or if we are unable to renew such licenses on commercially reasonable terms or at all, it may be difficult, more expensive or, in the case of Motorola, impossible to obtain such services from alternative vendors. Any substitute technology may also have lower quality or performance standards, which would adversely affect the quality of our products and services. For more information, see Risk Factors Our agreements with Motorola contain potential payment provisions that may apply to the Acquisition; and Motorola has filed a complaint in Illinois state court seeking to compel us to make those payments and Risk Factors We are dependent on intellectual property licensed from Motorola and other third parties.

Available Information

Copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments, if any, to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, are available free of charge through our website at www.iridium.com and on the website of the Securities and Exchange Commission, or SEC, at www.sec.gov. A request for any of these reports may also be submitted to us by writing: Investor Relations, Iridium Communications Inc., 6707 Democracy Boulevard, Suite 300, Bethesda, MD 20817, or by calling our investor relations line at 301-517-6297.

ITEM 1A. Risk Factors

Throughout this section, when we refer to percentages of revenues or traffic for the year ended December 31, 2009, we are referring to the revenues or traffic of Iridium Holdings prior to the Acquisition and Iridium Holdings combined with our company after the Acquisition.

Our business plan depends on both increased demand for mobile satellite services and our ability to successfully implement it.

Our business plan is predicated on growth in demand for mobile satellite services. Demand for mobile satellite services may not grow, or may even contract, either generally or in particular geographic markets, for particular types of services or during particular time periods. A lack of demand could impair our ability to sell products and services, develop and successfully market new products and services and could exert downward pressure on prices. Any decline in prices would decrease our revenues and profitability and negatively affect our ability to generate cash for investments and other working capital needs.

Our ability to successfully implement our business plan will also depend on a number of other factors, including:

- our ability to maintain the health, capacity and control of our existing satellite constellation;
- our ability to contract for the design, build and launch of Iridium NEXT and related ground infrastructure, products and services, including the financing thereof and, once launched, our ability to maintain the health, capacity and control of such satellite constellation;
- the level of market acceptance and demand for our products and services;
- our ability to introduce innovative new products and services that satisfy market demand;

our ability to obtain additional business using our existing spectrum resources both in the United States and internationally;

our ability to sell our products and services in additional countries;

our ability to maintain our relationship with U.S. government customers, particularly the DoD;

the ability of our distributors to market and distribute our products, services and applications effectively and their continued development of innovative and improved solutions and applications for our products and services;

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our ability to successfully resolve a dispute with Motorola regarding fees they allege that we owe to them and to license the required intellectual property for Iridium NEXT;

the effectiveness of our competitors in developing and offering similar services and products; and

our ability to maintain competitive prices for our products and services and control costs.

We will need additional capital to design, build and launch Iridium NEXT and related ground infrastructure, products and services, and pursue additional growth opportunities. If we fail to obtain sufficient capital, we will not be able to successfully implement our business plan.

Our business plan calls for the development of Iridium NEXT, the development of new product and service offerings, upgrades to our current services, hardware and software upgrades to maintain our ground infrastructure and upgrades to our business systems. We estimate the aggregate costs associated with the design, build and launch of Iridium NEXT and related infrastructure upgrades through 2016 to be approximately $2.7 billion, although we have not yet entered into definitive agreements for these activities and our actual costs could substantially exceed this estimate. We expect to fund a substantial portion of these costs from internally generated cash flows, including potential revenues from secondary payloads and warrant proceeds. We expect to finance the remaining cost by raising additional debt or equity financing. However, there can be no assurance that our internally generated cash flows will meet our current expectations or that we will be able to obtain sufficient external capital to fund Iridium NEXT and implement other elements of our business plan, due to increased costs, lower revenues or inability to obtain additional financing. Among other factors leading to this uncertainty, some of the warrants whose proceeds we expect to use to fund a portion of Iridium NEXT are currently under water, meaning they have an exercise price per share that is significantly higher than the current price at which our common stock is trading. In addition, none of the warrants are callable by us until such time as our stock trades at a per share price greater than $14.25 for our $7.00 warrants, or $18.00 for our $11.50 warrants, for an extended period of time. As of March 12, 2010 the closing price of our common stock was $8.22 per share. Unless our stock price increases significantly, we would not expect the under-water warrants to be exercised and we will not be able to call any of the warrants. If we do not obtain such funds from internally generated cash flows, or from the net proceeds of future debt or equity financings, our ability to maintain our network, design, build and launch Iridium NEXT and related ground infrastructure, products and services, and pursue additional growth opportunities will be impaired.

The recent global economic crisis and related tightening of credit markets has also made it more difficult and expensive to raise capital. Our ability to obtain additional capital to finance Iridium NEXT and related ground infrastructure, products and services, and other capital requirements may be adversely impacted by the continuation of these market conditions. We have engaged Goldman, Sachs & Co. as our lead global advisor to help secure the funding necessary to design, build and launch Iridium NEXT, although we cannot assure you that we will have access to sources of financing on reasonable terms, or at all. If we are unable to obtain sufficient financing on acceptable terms, we may not be able to fully implement our business plan as currently projected, if at all, which would significantly limit the development of our business and impair our ability to provide a commercially acceptable level of service.

In addition, in the event that we are able to obtain financing, our future agreements governing our indebtedness may require us to carry in-orbit insurance which we do not currently have and may contain a number of significant restrictions and covenants that limit our ability to, among other things:

incur or guarantee additional indebtedness;

pay dividends or make distributions to our stockholders;

make investments, acquisitions or capital expenditures;

grant liens on our assets;

enter into transactions with our affiliates;

merge or consolidate with other entities or transfer all or substantially all of our assets; and

otherwise transfer or sell assets.

We may also be required to maintain compliance with specified financial covenants. Complying with these restrictive covenants may impair our ability to finance our operations or capital needs or to take advantage of other favorable business opportunities. Our ability to comply with these restrictive covenants will depend on our future performance, which may be affected by events beyond our control. If we violate any of these covenants and are unable to obtain waivers, we would be in default under the agreement and payment of the indebtedness could be accelerated. The acceleration of our indebtedness

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under one agreement may permit acceleration of indebtedness under other agreements that contain cross-default or cross-acceleration provisions. If our indebtedness is accelerated, we may not be able to repay our indebtedness or borrow sufficient funds to refinance it. Even if we are able to obtain new financing, it may not be on commercially reasonable terms or on terms that are acceptable to us. In addition, complying with these covenants may cause us to take actions that are not favorable to holders of our securities and may make it more difficult for us to successfully execute our business plan and compete against companies who are not subject to such restrictions.

Our satellites have a limited life and may fail prematurely, which would cause our network to be compromised and materially and adversely affect our business, prospects and profitability.

Since we introduced commercial services in 2001, we have experienced seven satellite losses. Six of our satellites have failed in orbit, which has resulted in either the complete loss of the affected satellites or the loss of the ability of the satellite to carry traffic on the network, and one satellite was lost as a result of a collision with a non-operational Russian satellite. While we expect our current constellation to provide a commercially acceptable level of service through approximately 2014, we cannot guarantee we will be able to provide such level of service through the transition period to Iridium NEXT. Also, our satellites have already exceeded their original design lives and the actual useful lives of our satellites may be shorter than we expect. In addition, additional satellites may fail or collide with space debris or other satellites in the future, and we cannot assure you that our in-orbit spare satellites will be sufficient to replace such satellites or that we will be able to replace them in a timely manner.

In-orbit failure may result from various causes, including component failure, loss of power or fuel, inability to control positioning of the satellite, and solar or other astronomical events, including solar radiation and flares and space debris. Other factors that could affect the useful lives of our satellites include the quality of construction, gradual degradation of solar panels and the durability of components. Radiation-induced failure of satellite components may result in damage to or loss of a satellite before the end of its expected life. As our constellation has aged, some of our satellites have experienced individual component failures affecting their coverage or transmission capacity and other satellites may experience such failures in the future, which could adversely affect the reliability of their service. As a result, fewer than 66 of our in-orbit satellites will be fully functioning at any time. Although we do not incur any direct cash costs related to the failure of a satellite, if a satellite fails, we record an impairment charge in our statement of operations reflecting the remaining net book value of that satellite, which could significantly depress our net income for the period in which the failure occurs.

From time to time, we are advised by our customers and end-users of temporary intermittent losses of signal cutting off calls in progress, preventing completions of calls when made or disrupting the transmission of data. If the magnitude or frequency of such problems increase and we are no longer able to provide a commercially acceptable level of service, our business and financial results and our reputation would be hurt and our ability to pursue our business plan would be compromised.

We may be required in the future to make further changes to our constellation to maintain or improve its performance. Any such changes may require prior FCC approval and the FCC might not give such approval or may subject the approval to other conditions that could be unfavorable to our business. In addition, from time to time we may reposition our satellites within the constellation in order to optimize our service, which could result in degraded service during the repositioning period. Although there are some remote tools we use to remedy certain types of problems affecting the performance of our satellites, the physical repair of our satellites in space is not feasible.

Our products could fail to perform or perform at reduced levels of service because of technological malfunctions or deficiencies or events outside of our control which would seriously harm our business and reputation.

Our products and services are subject to the risks inherent in a large-scale, complex telecommunications system employing advanced technology. Any disruption to our satellites, services, information systems or telecommunications infrastructure could result in the inability of our customers to receive our services for an indeterminate period of time. These customers include government agencies conducting mission-critical work throughout the world, as well as consumers and businesses located in remote areas of the world where traditional telecommunications services may not be readily available. Any disruption to our services or extended periods of reduced levels of service could cause us to lose customers or revenue, result in delays or cancellations of future implementations of our products and services, result in failure to attract customers or result in litigation, customer service or repair work that would involve substantial costs and distract management from operating our business. The failure of any of the diverse elements of our system, including our satellites, our commercial gateway, or our network operations center to function as required could render our system unable to perform at the quality and capacity levels required for success. Any system failures or extended reduced levels of service could reduce our sales, increase costs or result in liability claims and seriously harm our business.

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Additional satellites may collide with space debris or another spacecraft, which could adversely affect the performance of our constellation and business.

In February 2009, we lost an operational satellite as a result of a collision with a non-operational Russian satellite. Although we have some ability to actively maneuver our satellites to avoid potential collisions with space debris or other spacecraft, this ability is limited by, among other factors, various uncertainties and inaccuracies in the projected orbit location of and predicted conjunctions with debris objects tracked and cataloged by the U.S. government. Additionally, some space debris is too small to be tracked and therefore its orbital location is completely unknown; nevertheless this debris is still large enough to potentially cause severe damage or a failure of our satellites should a collision occur. If our constellation experiences additional satellite collisions with space debris or other spacecrafts, our ability to operate our constellation may be impaired.

The space debris created by the February 2009 satellite collision may cause damage to other spacecraft positioned in a similar orbital altitude.

The collision of one of our satellites with a non-operational Russian satellite created a space debris field concentrated in the orbital altitude where the collision occurred, and thus increased the risk of space debris damaging or interfering with the operation of our satellites, which travel in this orbital altitude, and satellites owned by third parties, such as U.S. or foreign governments or agencies and other satellite operators. Although there are tools used by us and providers of tracking services, such as the U.S. Joint Space Operations Center, to detect, track and identify space debris, we or third parties may not be able to maneuver the satellites away from such debris in a timely manner. Any such collision could potentially expose us to significant losses and liability.

As our product portfolio expands, our failure to manage growth effectively could impede our ability to execute our business plan and we may experience increased costs or disruption in our operations.

We currently face a variety of challenges, including maintaining the infrastructure and systems necessary for us to operate as a public company and managing the growth of our business. As our product portfolio continues to expand, the responsibilities of our management team and the company resources also grow. Consequently, we may further strain our management and the company resources with the increased complexities and administrative burdens associated with a larger, more complex product portfolio. Our failure to meet these challenges as a result of insufficient management or other resources could significantly impede our ability to execute our business plan. To properly manage our growth, we may need to hire and retain personnel, upgrade our existing operational management and financial and reporting systems and improve our business processes and controls. Failure to effectively manage the expansion of our product portfolio in a cost-effective manner could result in declines in product and service quality and customer satisfaction, increased costs or disruption of our operations.

If we experience operational disruptions with respect to our commercial gateway or operations center, we may not be able to provide service to our customers.

Our commercial satellite network traffic is supported by a primary ground station gateway in Tempe, Arizona. In addition, we operate our satellite constellation from our satellite network operations center in Leesburg, Virginia. Currently, we do not have a back-up facility for our gateway and we would not be able to implement our backup to the Virginia operations center in real time if either of those facilities experienced a catastrophic failure. Both facilities are subject to the risk of significant malfunctions or catastrophic loss due to unanticipated events and would be difficult to replace or repair and could require substantial lead-time to do so. Material changes in the operation of these facilities may be subject to prior FCC approval and the FCC might not give such approval or may subject the approval to other conditions that could be unfavorable to our business. Our gateway and operations center may also experience service shutdowns or periods of reduced service in the future as a result of equipment failure, delays in deliveries or regulatory issues. Any such failure would impede our ability to provide service to our customers.

If we are unable to effectively develop and deploy Iridium NEXT before our current satellite constellation ceases to provide a commercially acceptable level of service, our business will suffer.

We are currently developing Iridium NEXT, which we expect to commence launching in late 2014. While we expect our current constellation to provide a commercially acceptable level of service through approximately 2014, we cannot guarantee it will provide a commercially acceptable level of service through the transition period to Iridium NEXT. If we are unable, for any reason, including as a result of insufficient funds, manufacturing or launch delays, launch failures, in-orbit satellite failures, inability to achieve or maintain orbital placement or delays in receiving regulatory approvals, to deploy Iridium NEXT before our current constellation ceases to provide a commercially acceptable level of service or if we experience backward compatibility problems with our new constellation once deployed, we will likely lose customers and business opportunities to our competitors, resulting in a material decline in revenues and profitability and inability to service debt as our ability

to provide a commercially acceptable level of service is impaired.

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Iridium NEXT may not be completed on time, and the costs associated with it may be greater than expected.

We estimate the aggregate costs associated with the design, build and launch of Iridium NEXT and related infrastructure upgrades through 2016 will be approximately $2.7 billion although we have not yet entered into definitive agreements for these activities and our actual costs could substantially exceed this estimate. We may not complete Iridium NEXT and related infrastructure, products and services on time, on budget or at all. The design, manufacture and launch of satellite systems are highly complex and historically have been subject to delays and cost over-runs. Development of Iridium NEXT may suffer from additional delays, interruptions or increased costs due to many factors, some of which may be beyond our control, including:

- lower than anticipated internally generated cash flows;
- lower than expected secondary payload funding;
- the failure to receive proceeds from the exercise of our outstanding warrants, some of which are currently significantly under water;
- our inability to obtain capital to finance Iridium NEXT and related ground infrastructure, products and services on acceptable terms or at all;
- requirements imposed by financing sources;
- engineering or manufacturing performance falling below expected levels of output or efficiency;
- denial or delays in receipt of regulatory approvals or non-compliance with conditions imposed by regulatory authorities;
- the breakdown or failure of equipment or systems;
- non-performance by third-party contractors, including the prime system contractor;
- the inability to license necessary technology on commercially reasonable terms or at all;
- use of a new or unproven launch vehicle;
- launch delays or failures or in-orbit satellite failures once launched or the decision to manufacture additional replacement satellites for future launches;
- labor disputes or disruptions in labor productivity or the unavailability of skilled labor;

increases in the costs of materials;

changes in project scope;

additional requirements imposed by changes in laws; or

severe weather or catastrophic events such as fires, earthquakes, storms or explosions.

While we expect to fund a substantial portion of the costs associated with Iridium NEXT from internally generated cash flows, including potential revenues from secondary payloads and warrant proceeds, we will need to raise additional debt or equity to finance the rest of such costs, including amounts arising from cost-overruns or if internally generated funds, secondary payload funding or warrant proceeds are less than anticipated. Such capital may not be available to us on acceptable terms or at all.

If any of the above events occur, they could have a material adverse effect on our ability to continue to develop Iridium NEXT and related infrastructure, products and services.

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Loss of any Iridium NEXT satellite during launch could delay or impair our ability to offer our services, and launch insurance, to the extent available, will not fully cover this risk.

The launch of our Iridium NEXT satellites could be subject to delays and risks. See If we are unable to effectively develop and deploy Iridium NEXT before our current satellite constellation ceases to provide a commercially acceptable level of service, our business will suffer above for more information. We expect to insure a portion of the launch of our Iridium NEXT satellites and self-insure the remaining portion. Launch insurance currently costs approximately 12% to 20% of the insured value of the satellites launched, including launch costs, but may vary depending on market conditions and the safety record of the launch vehicle. In addition, we expect any launch insurance policies that we obtain to include specified exclusions, deductibles and material change limitations. Typically, these insurance policies exclude coverage for damage arising from acts of war, lasers and other similar potential risks for which exclusions are customary in the industry. If launch insurance rates were to rise substantially, our future launch costs could increase. It is also possible that insurance could become unavailable or prohibitively expensive, either generally or for a specific launch vehicle or that new insurance could be subject to broader exclusions on coverage or limitations on losses, in which event we would bear the risk of launch failures. Even if a lost satellite is fully insured, acquiring a replacement satellite may be difficult and time consuming and could delay the deployment of Iridium NEXT. Furthermore, launch insurance typically does not cover lost revenue.

We may be unable to obtain and maintain in-orbit liability insurance, and the insurance we obtain may not cover all liabilities to which we may become subject.

Pursuant to the TSA with Motorola and pursuant to the agreement between Iridium Satellite, Boeing, Motorola and the U.S. government, Iridium Satellite is required to maintain an in-orbit liability insurance policy with a de-orbiting endorsement. The current policy together with the de-orbiting endorsement covers amounts that Iridium Satellite and other named parties may become liable to pay for bodily injury and property damages to third parties related to processing, maintaining and operating our satellite constellation and, in the case of the de-orbiting endorsement, de-orbiting our satellite constellation. The current policy has a one-year term, which expires December 12, 2010 and excludes coverage for all third-party damages relating to the 2009 collision of our satellite with a non-operational Russian satellite. The price, terms and availability of insurance have fluctuated significantly since we began offering commercial satellite services. The cost of obtaining insurance can vary as a result of either satellite failures or general conditions in the insurance industry. Higher premiums on insurance policies would increase our cost. In-orbit liability insurance policies on satellites may not continue to be available on commercially reasonable terms or at all. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods and additional policy exclusions. For example, our current de-orbit insurance covers only twelve months from attachment and therefore would not cover losses arising outside that timeframe. Our failure to renew Iridium Satellite s current in-orbit liability insurance policy or obtain a replacement policy would trigger de-orbit rights held by the U.S. government, Motorola and Boeing, which, if exercised, would eliminate our ability to provide mobile satellite communications services. See The U.S. government, Motorola and Boeing may unilaterally require us to de-orbit our current constellation upon the occurrence of certain events below for more information. In addition, even if Iridium Satellite continues to maintain any in-orbit liability insurance policy, the coverage may not protect us against all third-party losses, which could be material.

Iridium Satellite s current in-orbit liability insurance policy contains, and we expect any future policies would likewise contain, specified exclusions and material change limitations customary in the industry. These exclusions may relate to, among other things, losses resulting from in-orbit collisions such as the one we experienced in 2009, acts of war, insurrection, terrorism or military action, government confiscation, strikes, riots, civil commotions, labor disturbances, sabotage, unauthorized use of the satellites and nuclear or radioactive contamination, as well as claims directly or indirectly occasioned as a result of noise, pollution, electrical and electromagnetic interference and interference with the use of property.

In addition to Iridium Satellite s in-orbit liability insurance policy, Motorola maintains product liability insurance to cover its potential liability as the manufacturer of the satellites. Motorola may not in the future be able to renew its product liability coverage on reasonable terms and conditions, or at all. Any failure by Motorola to maintain its insurance, if not maintained by us on its behalf, could increase our exposure to third-party damages that may be caused by any of our satellites.

We do not maintain in-orbit insurance covering losses from satellite failures or other operational problems affecting our constellation.

We do not maintain in-orbit insurance covering losses that might arise as a result of a satellite failure or other operational problems affecting our constellation and our future lenders may require us to obtain and maintain such insurance. We may not be able to obtain such insurance on acceptable terms, if at all. If we are not able to obtain in-orbit insurance in the face of a covenant requiring us to do so, we may be unable to obtain a waiver which would trigger an event of default and would likely accelerate repayment of all outstanding borrowings. Even if we obtain in-orbit insurance in the future, the coverage may not be sufficient to compensate us for satellite failures and other operational problems affecting our satellites. As a result, a failure of one or more of our satellites or the occurrence of equipment failures and other related problems would constitute an uninsured loss and could harm our financial condition.

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We may be negatively affected by current global economic conditions.

Our operations and performance depend significantly on worldwide economic conditions. Uncertainty about current global economic conditions poses a risk as individual consumers, businesses and governments may postpone spending in response to tighter credit, negative financial news, declines in income or asset values or budgetary constraints. For example, one of our VARs, which represented approximately 20% of our total M2M data revenue for the year ended December 31, 2009, is currently substantially behind on payment. If we choose to terminate our relationship with this VAR for non-payment, there is no guarantee that these end-user subscribers, with whom we do not have a direct relationship, will migrate to another of our service providers or VARs to purchase our products and services. If these customers do not continue to purchase our products and services, it would dramatically decrease our subscriber growth rate. Reduced demand would cause a decline in our revenues and make it more difficult for us to operate profitably, potentially compromising our ability to pursue our business plan. While we expect the number of our subscribers and revenues to continue to grow, we expect the future growth rate will be slower than our historical growth and may not continue in every quarter of every year. We expect our future growth rate will be impacted by the current economic slowdown, increased competition, maturation of the satellite communications industry and the difficulty in sustaining high growth rates as we increase in size. Any substantial appreciation of the U.S. dollar may also negatively impact our growth by increasing the cost of our products and services in foreign countries.

We could lose market share and revenues as a result of increasing competition from companies in the wireless communications industry, including cellular and other satellite operators, and from the extension of land-based communication services.

We face intense competition in all of our markets, which could result in a loss of customers and lower revenues and make it more difficult for us to enter new markets. We compete primarily on the basis of coverage, quality, portability and pricing of services and products.

There are currently six other satellite operators providing services similar to ours on a global or regional basis: Inmarsat, Globalstar, ORBCOMM, SkyTerra, Thuraya and ACeS International Limited, or Asia Cellular Satellite. In addition, several regional mobile satellite services companies, including ICO, TerreStar and SkyTerra, are attempting to exploit their spectrum positions into a U.S. consumer mobile satellite services business. The provision of satellite-based services and products is subject to downward price pressure when capacity exceeds demand or as a result of aggressive discounting by some operators under financial pressure to expand their respective market share. Some satellite operators, for example, subsidize the prices of their products, such as satellite handsets and we expect two new handsets to enter the market during 2010. In addition, we may face competition from new competitors or new technologies. For example, we may face competition for our land-based services in the United States from incipient ATC service providers who are currently raising capital and designing a satellite operating business and a terrestrial component around their spectrum holdings. In addition, some of our competitors have announced plans for the launch of additional satellites. As a result of competition, we may not be able to successfully retain our existing customers and attract new customers.

In addition to our satellite-based competitors, terrestrial voice and data service providers, both wireline and wireless, are expanding into rural and remote areas and providing the same general types of services and products that we provide through our satellite-based system. Although satellite communications services and terrestrial communications services are not perfect substitutes, the two compete in some markets and for some services. Consumers generally perceive terrestrial wireless voice communication products and services as cheaper and more convenient than those that are satellite-based. Many of our terrestrial competitors have greater resources, wider name recognition and newer technologies than we do. In addition, industry consolidation could hurt us by increasing the scale or scope of our competitors and thereby making it more difficult for us to compete.

Much of the hardware and software we use in operating our gateway was designed and manufactured over ten years ago and portions are becoming more difficult and expensive to service, upgrade or replace.

Much of the hardware and software we use in operating our gateway was designed and manufactured over ten years ago and portions are becoming obsolete. As they continue to age, they may become less reliable and will be more difficult and expensive to service, upgrade or replace. Although we maintain inventories of some spare parts, it nonetheless may be difficult or impossible to obtain all necessary replacement parts for the hardware. Our business plan contemplates updating or replacing some of the hardware and software in our network, but the age of our existing hardware and software may present us with technical and operational challenges that complicate or otherwise make it not feasible to carry out our planned upgrades and replacements, and the expenditure of resources, both from a monetary and human capital perspective, may exceed our estimates. Without upgrading and replacing our equipment, obsolescence of the technologies that we use could have a material adverse affect on our revenues, profitability and liquidity.

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Rapid and significant technological changes in the satellite communications industry may impair our competitive position and require us to make significant additional capital expenditures.

The satellite communications industries are subject to rapid advances and innovations in technology. We may face competition in the future from companies using new technologies and new satellite systems. New technology could render our system obsolete or less competitive by satisfying customer demand in more attractive ways or through the introduction of incompatible standards. Particular technological developments that could adversely affect us include the deployment by our competitors of new satellites with greater power, flexibility, efficiency or capabilities than our current constellation or Iridium NEXT, as well as continuing improvements in terrestrial wireless technologies. For us to keep up with technological changes and remain competitive, we may need to make significant capital expenditures. Customer acceptance of the products and services that we offer will continually be affected by technology-based differences in our product and service offerings compared to those of our competitors. New technologies may be protected by patents or other intellectual property laws and therefore may not be available to us. Any failure by us to implement new technology within our system may compromise our ability to compete.

Use by our competitors of L-band spectrum for terrestrial services could interfere with our services.

In February 2003, the FCC adopted rules that permit satellite service providers to establish ATC networks. ATC frequencies are designated in previously satellite-only bands. The implementation of ATC services by satellite service providers in the United States or other countries may result in increased competition for the right to use L-band spectrum in the 1.6 GHz band, which we use to provide our services, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. In addition, the FCC s decision to permit ATC services was based on assumptions relating to the level of interference that the provision of ATC services would likely cause to other satellite service providers that use the L-band spectrum. If the FCC s assumptions prove inaccurate, or the level of ATC services provided exceeds those estimated by the FCC, ATC services could interfere with our satellites and devices, which may adversely impact our services. Outside the United States, other countries are actively considering implementing regulations to facilitate ATC services.

Our networks and those of our third-party service providers may be vulnerable to security risks.

We expect the secure transmission of confidential information over public networks to continue to be a critical element of our operations. Our network and those of our third-party service providers and our customers may be vulnerable to unauthorized access, computer viruses and other security problems. Persons who circumvent security measures could wrongfully obtain or use information on the network or cause interruptions, delays or malfunctions in our operations, any of which could harm our reputation, cause demand for our products and services to fall and compromise our ability to pursue our business plans. Recently, there have been reported a number of significant, wide-spread security breaches that have compromised network integrity for many companies and governmental agencies, in some cases reportedly originating from outside the United States in countries such as China. In addition, there are reportedly private products available in the market today which attempt to unlawfully intercept communications made on our network. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any breaches. In addition, our customer contracts, in general, do not contain provisions which would protect us against liability to third-parties with whom our customers conduct business. Although we have implemented and intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and result in system failures and delays that could lower network operations center availability which could harm our business.

Sales to U.S. government customers, particularly the DoD, represent a significant portion of our revenues.

The U.S. government, through a dedicated gateway owned and operated by the DoD, has been and continues to be, directly and indirectly, our largest customer, representing 23.6% of our revenues for the year ended December 31, 2009. We provide the majority of our services to the U.S. government pursuant to two contracts, both of which were entered into in April 2008, that provide for a one-year base term and up to four additional one-year options exercisable at the election of the U.S. government . The U.S. government has notified us that it intends to renew for the second additional one-year term, which will extend the term through March 2011. The U.S. government may terminate these agreements, in whole or in part, at any time. If the U.S. government terminates its agreements with us or fails to renew such agreements, we would lose a significant portion of our revenues.

Our relationship with the U.S. government is subject to the overall U.S. government budget and appropriation decisions and processes. U.S. government budget decisions, including with respect to defense spending, are based on changing government priorities and objectives, which are driven by numerous factors, including geopolitical events and macroeconomic conditions, and are beyond our control. Significant changes to U.S. defense spending, including as a result of the resolution of the conflicts in Iraq and Afghanistan, or a significant reduction in U.S. personnel in those countries, could reduce demand for our services and products by the U.S. government.

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We are dependent on third parties to market and sell our products and services.

We rely on third-party distributors to market and sell our products and services to end-users and to determine the prices end-users pay. We also depend on our distributors to develop innovative and improved solutions and applications integrating our product and service offerings. As a result of these arrangements, we are dependent on the performance of our distributors to generate substantially all of our revenues. Our distributors operate independently of us, and we have limited control over their operations, which exposes us to significant risks. Distributors may not commit the necessary resources to market and sell our products and services and may also market and sell competitive products and services. In addition, our distributors may not comply with the laws and regulatory requirements in their local jurisdictions, which may limit their ability to market or sell our products and services. If current or future distributors do not perform adequately, or if we are unable to locate competent distributors in particular countries and secure their services on favorable terms, or at all, we may be unable to increase or maintain our revenues in these markets or enter new markets, and we may not realize our expected growth, and our brand image and reputation could be hurt.

In addition, we may lose distributors due to competition, consolidation, regulatory developments, business developments affecting our distributors or their customers or for other reasons. Any future consolidation of our distributors or the acquisition of a distributor by a competitor, such as the April 2009 acquisition of Stratos Global Corporation, one of our largest distributors, by Inmarsat, one of our main competitors, would further increase our reliance on a few key distributors of our services and the amount of volume discounts that we may have to give such distributors. Our ten most active distributors for the year ended December 31, 2009, accounted for, in the aggregate, 48.3% of total revenues. The loss of any of these distributors could reduce the distribution of our products and services as well the development of new product solutions and applications.

We rely on a limited number of key vendors for timely supply of equipment and services.

Celestica is the manufacturer of all of our current devices, including our mobile handsets, L-Band transceivers and short burst data modems. Celestica may choose to terminate its business relationship with us when its current contractual obligations are completed in January 1, 2011, or at such earlier time as contemplated by our current agreement with Celestica. If Celestica terminates this relationship, we may not be able to find a replacement supplier. In addition, as our sole supplier, we are very dependent on Celestica s performance. If Celestica has difficulty manufacturing or obtaining the necessary parts or material to manufacture our products, we could lose sales. In addition, we utilize other sole source suppliers for certain component parts of our devices. If such suppliers terminated their relationships with us or were otherwise unable to manufacture our component parts, Celestica would be unable to manufacture our products. Although we may replace Celestica or other sole source suppliers with another supplier, there could be a substantial period of time in which our products are not available and any new relationship may involve a significantly different cost structure, development schedule and delivery times and we may encounter technical challenges in successfully replicating the manufacturing processes.

In addition, we depend on Boeing to provide operations and maintenance services with respect to our satellite network, including engineering, systems analysis and operations and maintenance services, from our technical support center in Chandler, Arizona and our satellite network operations center in Leesburg, Virginia. Boeing provides these services pursuant to the O&M Agreement, whose term is concurrent with the expected useful life of our current constellation. Technological competence is critical to our business and depends, to a significant degree, on the work of technically skilled employees, such as our Boeing contractors. If Boeing s performance falls below expected levels or if Boeing has difficulties retaining the employees or contractors servicing our network, the operations of our satellite network could be compromised. In addition, if Boeing terminates its agreement with us, we may not be able to find a replacement provider on favorable terms or at all, which could impair the operations and performance of our network. Replacing Boeing as the operator of our satellite system could also trigger de-orbit rights held by the U.S. government, which, if exercised, would eliminate our ability to offer satellite communications services altogether. See The U.S. government, Motorola and Boeing may unilaterally require us to de-orbit our constellation upon the occurrence of specified events below for more information.

Our agreements with Motorola contain potential payment provisions that may apply to the Acquisition; and Motorola has filed a complaint in Illinois state court seeking to compel us to make those payments.

The TSA with Motorola provides for the payment to Motorola of up to $8.5 million plus accrued interest on certain principal upon the occurrence of a triggering event. A triggering event means the first to occur of: (a) a change of control, as defined below, (b) the consummation of an initial public offering by Iridium Holdings or Iridium Satellite, (c) a sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite or (d) December 11, 2010. A change of control means, subject to specified exceptions, the occurrence of any of the following events: (i) any initial investor, together with such person s affiliates, shall have acquired beneficial ownership of interests entitling the holders thereof to more than 50% of the income of, or the liquidation proceeds from, Iridium Holdings; (ii) any person who is not an initial investor, together with such person s affiliates and with other

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persons constituting a group as defined in U.S. securities laws, shall have acquired beneficial ownership of interests entitling the holders thereof to more than 50% of the income of, or the liquidation proceeds from, Iridium Holdings; or (iii) Iridium Holdings shall cease to own 100% of the equity interests of Iridium Satellite. Iridium Holdings had been accruing the portion of the potential $8.5 million to which it believes it is subject through December 31, 2009 in its historical financial statements and now our company is doing the same.

The Senior Subordinated Term Loan Agreement, or the Note Agreement, with Motorola also has future payment obligations. Under the Note Agreement, we are required to pay Motorola a commitment fee of $5.0 million upon the earlier of December 11, 2010 and the occurrence of a trigger event. A trigger event means the first to occur of: (a) a change of control as defined in the Note Agreement, (b) the consummation of an initial public offering by Iridium Holdings or Iridium Satellite, or (c) the sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite. Iridium Holdings has been accruing this future payment obligation in its historical financial statements through December 31, 2009 and now our company is doing the same.

Furthermore, under the Note Agreement, in the event of a distribution event, we are required to pay Motorola a loan success fee equal to the amount that a holder of Class B units in Iridium Holdings constituting 5% of the total number of issued and outstanding units, both Class A and B, would have received in the distribution event. A distribution event means the (a) direct or indirect (i) payment of any dividend or other distribution, in the form of cash or otherwise, in respect of the equity interests of Iridium Holdings or (ii) purchase, conversion, redemption or other acquisition for value or otherwise by Iridium Holdings of any equity interest in Iridium Holdings or (b) initial public offering or any secondary public offering by Iridium Holdings or Iridium Satellite in which any holders of equity interests in Iridium Holdings are afforded the opportunity to participate as a selling equity holder in such offering.

In addition to the above obligations, upon the first to occur of (a) any change of control, as defined in the Note Agreement, or (b) the sale of all or a material portion of the assets of Iridium Holdings or Iridium Satellite, we are required to pay a cash amount equal to the lesser of (i) an amount to be determined based on a multiple of earnings before interest, taxes, depreciation, and amortization less capital contributions not returned to Class A Unit holders of Iridium Holdings and the amount of the $5.0 million commitment fee discussed above which has been or is concurrently being paid and (ii) the value of the consideration that a holder of Class B Units in Iridium Holdings constituting 5% of the total number of issued and outstanding units, both Class A and B, would receive in the transaction.

On February 9, 2010, Motorola filed a complaint against our wholly owned subsidiaries Iridium Holdings and Iridium Satellite in Illinois state court. In this action, Motorola alleges that the closing of the Acquisition in September 2009 constituted a change of control for purposes of the Note Agreement; that such change of control triggered Iridium Satellite s obligation to make the commitment fee and the success fee payments to Motorola under the Note Agreement as described above; that pursuant to a guarantee agreement between Motorola and Iridium Holdings, Iridium Holdings has guaranteed all payments to be made by Iridium Satellite under the Note Agreement; and that Iridium Satellite has breached the Note Agreement by failing to make such payments and Iridium Holdings has breached its guaranty by failing to make payment for such sums owed by Iridium Satellite. Motorola is seeking a declaratory judgment that the Acquisition constituted a change of control for purposes of the Note Agreement and damages of at least $24,680,000 relating to such change of control. See Legal Proceedings appearing elsewhere in this report for more information about Motorola s complaint.

We believe that it is unclear whether and how the provisions of the TSA and the Note Agreement were intended to apply to a transaction such as the Acquisition. Notwithstanding Motorola s filing of the complaint, we and Motorola are continuing to discuss an appropriate resolution under the provisions of the TSA and the Note Agreement, but there can be no assurances as to the manner in which this matter will be resolved, whether by negotiation or in court, and what amount of fees, if any, we might be required to pay to Motorola.

If a declaratory judgment is granted that the Acquisition constituted a change of control, Motorola would also have the right to terminate our intellectual property licenses and potentially the right to de-orbit our constellation. See We are dependent on intellectual property licensed from Motorola and other third parties and The U.S. government, Motorola and Boeing may unilaterally require us to de-orbit our constellation upon the occurrence of specified events for more information about these rights.

We are dependent on intellectual property licensed from Motorola and other third parties.

We license critical system technology, including certain software and systems to operate and maintain our network as well as technical information for the design and manufacture of our devices, from Motorola. This intellectual property is essential to our ability to continue to operate our constellation and sell our handsets. We maintain our licenses with Motorola pursuant to several agreements. These agreements can be terminated by Motorola upon: (i) any material change to certain portions of the certificate of formation and operating agreement of our subsidiary that is party to the agreements; (ii) any change of control, as defined in the TSA; (iii) the commencement by Iridium Satellite of any voluntary bankruptcy proceeding; or (iv) our

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material failure to perform or comply with any provision of the agreements. Although Motorola s recent complaint filed in Illinois state court does not purport to implicate our license agreements with them, if the court were to hold that the Acquisition constituted a change of control, then Motorola would also have the right to terminate certain of these licenses. For more information, see Our agreements with Motorola contain potential payment provisions which may apply to the Acquisition; and Motorola has filed a complaint in Illinois state court seeking to compel us to make those payments above. In addition, Motorola has an annual right of non-renewal in respect of one of the intellectual property license agreements.

Motorola has assigned a portion of the patents comprising these licenses to a third-party. We also license additional system technology from several other third parties. If Motorola or any such third party were to terminate any license agreement or cease to support and service this technology, or if we are unable to renew such licenses on commercially reasonable terms or at all, it may be difficult, more expensive or impossible to obtain such services from alternative vendors. Any substitute technology may also have lower quality or performance standards, which would adversely affect the quality of our products and services. In connection with the design, manufacture and operation of Iridium NEXT and related ground infrastructure, products and services**,** we may be required to obtain additional intellectual property rights from Motorola and other third parties, including, potentially, a third party to whom Motorola has advised us that it has transferred some of the patents rights associated with our existing network. We cannot assure you that we will be able to obtain such intellectual property rights on commercially reasonable terms or at all. If we are unable to obtain such intellectual property rights or are unable to obtain such rights on commercially reasonable terms, we may not complete Iridium NEXT and related ground infrastructure, products and services on budget or at all.

We have been and may in the future become subject to claims that our products violate the patent or intellectual property rights of others, which could be costly and disruptive to us.

We operate in an industry that is susceptible to significant intellectual property litigation. As a result, we or our products may become subject to intellectual property infringement claims or litigation. The defense of intellectual property suits, even if frivolous, is both costly and time consuming and may divert management s attention from other business concerns. An adverse determination in litigation to which we may become a party could, among other things:

subject us to significant liabilities to third parties, including treble damages;

require disputed rights to be licensed from a third party for royalties that may be substantial;

require us to cease using such technology; or

prohibit us from selling some or all of our products or offering some or all of our services.

Conducting and expanding our operations outside the United States involves special challenges.

We have significant operations outside the United States. According to our estimates, commercial data traffic originating outside the United States accounted for 74.7% of total data traffic for the year ended December 31, 2008 and 68.9% of total data traffic for the for the year ended December 31, 2009, while commercial voice traffic originating outside the United States accounted for 90.1% of total voice traffic for the year ended December 31, 2008 and 90.2% of total voice traffic for the year ended December 31, 2009. We cannot provide the precise geographical distribution of end-users because we do not contract directly with them. Instead, we determine the country in which we earn our revenues based on where we invoice our distributors. These distributors sell services directly or indirectly to end-users, who may be located or use our products and services elsewhere. We are also seeking authorization to offer to sell our services in China, Russia and South Africa.

Conducting operations outside the United States involves numerous special risks and, while expanding our international operations would advance our growth, it would also increase these risks. These include:

difficulties in penetrating new markets due to established and entrenched competitors;

difficulties in developing products and services that are tailored to the needs of local customers;

lack of local acceptance or knowledge of our products and services;

lack of recognition of our products and services;

unavailability of or difficulties in establishing relationships with distributors;

significant investments, including the development and deployment of dedicated gateways as certain countries require physical gateways within their jurisdiction to connect the traffic coming to and from their territory;

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instability of international economies and governments;

changes in laws and policies affecting trade and investment in other jurisdictions;

exposure to varying legal standards, including intellectual property protection in other jurisdictions;

difficulties in obtaining required regulatory authorizations;

difficulties in enforcing legal rights in other jurisdictions;

local domestic ownership requirements;

requirements that certain operational activities be performed in-country;

changing and conflicting national and local regulatory requirements; and

foreign currency exchange rates and exchange controls.

These risks could affect our ability to successfully compete and expand internationally.

The prices for our products are typically denominated in U.S. dollars. Any appreciation of the U.S. dollar against other currencies will increase the cost of our products and services to our international customers and, as a result, may reduce the competitiveness of our international offerings and make it more difficult for us to grow internationally.

We are currently unable to offer service in important regions of the world due to regulatory requirements, which is limiting our growth and our ability to compete.

Our ability to provide service in certain regions is limited by local regulations as some countries, including China, India and Russia, have specific regulatory requirements such as local domestic ownership requirements or requirements for physical gateways within their jurisdiction to connect traffic coming to and from their territory. While we are currently in discussions with parties in these countries to satisfy these regulatory requirements, we may not be able find an acceptable local partner or reach an agreement to develop additional gateways or the cost of developing and deploying such gateways may be prohibitive, which could impair our ability to expand our product and service offerings in such areas and undermine our value for potential users who require service in these areas. The inability to offer to sell our products and services in all major international markets could impair our international growth. In addition, the construction of such gateways in foreign countries may require us to comply with certain U.S. regulatory requirements which may contravene the laws or regulations of the local jurisdiction.

The U.S. government, Motorola and Boeing may unilaterally require us to de-orbit our constellation upon the occurrence of specified events.

When Iridium Satellite purchased the assets of Iridium LLC out of bankruptcy, Boeing, Motorola and the U.S. government required specified de-orbit rights as a way to control potential liability risk arising from future operation of the constellation, and provide for the U.S. government s obligation to indemnify Motorola. As a result, an agreement was entered into among Iridium Satellite, Boeing, Motorola and the U.S. government, and the U.S. government obtained the right to, in its sole discretion, require us to de-orbit our constellation upon the occurrence of any of the following: (a) Iridium Satellite s failure to pay certain insurance premiums or maintain insurance; (b) Iridium Satellite s bankruptcy; (c) Iridium Satellite s sale or the sale of any major asset in our satellite system; (d) Boeing s replacement as the operator of our satellite system; (e) Iridium Satellite s failure to provide certain notices as contemplated by the agreement; or (f) at any time after June 5, 2009, unless extended by the U.S. government. The U.S. government also has the right to require us to de-orbit any of our individual functioning satellites, including in-orbit spares, that have been in orbit for more than seven years, unless the U.S. government grants a postponement. All of our functioning

satellites have been in orbit for more than seven years and we are currently in discussion with the U.S. government to extend the 2009 deadline.

Motorola also has the right to require us to de-orbit our constellation pursuant to the TSA and pursuant to the O&M Agreement between our subsidiary and Boeing. Under these agreements, Motorola may require the de-orbit of our constellation upon the occurrence of any of the following: (a) Iridium Holdings bankruptcy or the bankruptcy of Iridium Constellation or Iridium Satellite; (b) Iridium Holdings breach of the TSA; (c) Boeing s breach of the O&M Agreement or a related agreement between Boeing and Motorola; (d) an order from the U.S. government requiring the de-orbiting of our satellites; (e) Motorola s determination that changes in law or regulation may require it to incur specified costs relating to the operation, maintenance, re-orbiting or de-orbiting of our constellation; or (f) Motorola s failure to obtain on commercially reasonable terms, product liability insurance to cover its

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position as manufacturer of the satellites, provided the U.S. government has not agreed to cover what would have otherwise been paid by such policy. Although Motorola s recent complaint filed in Illinois state court does not purport to implicate the TSA or the O&M Agreement, if the court were to hold that the Acquisition constituted a change of control, then Motorola would also have the right to de-orbit our constellation. For more information, see Our agreements with Motorola contain potential payment provisions which may apply to the Acquisition; and Motorola has filed a complaint in Illinois state court seeking to compel us to make those payments above.

Pursuant to the O&M Agreement, Boeing similarly has the unilateral right to de-orbit our constellation upon the occurrence of any of the following events: (a) Iridium Constellation s or Iridium Satellite s bankruptcy; (b) the existence of reasonable grounds for Boeing to question the financial stability of Iridium Constellation; (c) Iridium Constellation s failure to maintain certain insurance policies; (d) Iridium Constellation s failure to provide Boeing quarterly financial statements; (e) Iridium Constellation s breach of the O&M Agreement, including its payment obligation thereunder; or (f) changes in law or regulation that may increase the risks or costs associated with the operation or re-orbit process or the cost of operation or re-orbit of the constellation.

We cannot guarantee that the U.S. government, Motorola or Boeing will not unilaterally exercise their de-orbiting rights upon the occurrence of any of the above events. A decision by any of the U.S. government, Motorola or Boeing to de-orbit our constellation would eliminate our ability to provide mobile satellite communications services.

Wireless devices may pose health and safety risks and, as a result, we may be subject to new regulations, demand for our services may decrease and we could face liability based on alleged health risks.

There has been adverse publicity concerning alleged health risks associated with radio frequency transmissions from portable hand-held telephones that have transmitting antennae. Lawsuits have been filed against participants in the wireless industry alleging various adverse health consequences, including cancer, as a result of wireless phone usage. Although we have not been party to any such lawsuits, we may be exposed to such litigation in the future. While we comply with applicable standards for radio frequency emissions and power and do not believe that there is valid scientific evidence that use of our phones poses a health risk, courts or governmental agencies could find otherwise. Any such finding could reduce our revenues and profitability and expose us and other wireless providers to litigation, which, even if frivolous or unsuccessful, could be costly to defend.

If consumers health concerns over radio frequency emissions increase, they may be discouraged from using wireless handsets. Further, government authorities might increase regulation of wireless handsets as a result of these health concerns. The actual or perceived risk of radio frequency emissions could reduce the number of our subscribers and demand for our products and services.

Our business is subject to extensive government regulation, which mandates how we may operate our business and may increase our cost of providing services, slow our expansion into new markets and subject our services to additional competitive pressures or regulatory requirements.

Our ownership and operation of a satellite communication system is subject to significant regulation in the United States by the FCC and in foreign jurisdictions by similar local authorities. The rules and regulations of the FCC or these foreign authorities may change and such authorities may adopt regulations that limit or restrict our operations as presently conducted or as we plan to conduct such operations. Such authorities may also make changes in the licenses of our competitors that impact our spectrum. Failure to provide services in accordance with the terms of our licenses or failure to operate our satellites or ground stations as required by our licenses and applicable laws and government regulations could result in the imposition of government sanctions on us, including the suspension or cancellation of our licenses.

We and our affiliates must pay FCC filing and annual filing fees in connection with our licenses. One of our subsidiaries, Iridium Carrier Services LLC, holds a common carrier radio license and is thus subject to regulation as a common carrier, including limitations and prior approval requirements with respect to direct or indirect foreign ownership. This subsidiary currently qualifies for exemptions from certain common carrier regulations, such as being required to file certain reports or pay certain fees. A change in the manner in which we provide service or a failure to comply with common carrier regulations or pay required fees can result in sanctions including fines, loss of authorizations, or the denial of applications for new authorizations or the renewal of existing authorizations.

Our system must be authorized in each of the markets in which we provide services. We may not be able to obtain or retain all regulatory approvals needed for our operations. Regulatory changes, such as those resulting from judicial decisions or adoption of treaties, legislation or regulation in countries where we currently offer products and services or intend to offer products and services, including the United States, may also significantly affect our business. Because regulations in each country are different, we may not be aware if some of our distribution partners and/or persons with which we or they do business do not hold the requisite licenses and approvals.

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We are required to obtain homologation certifications from the national and local authorities in the countries in which we operate in connection with the products that we currently sell or may wish to sell in the future. Failure to obtain such homologation certifications or other industry standard certifications could compromise our ability to generate revenue and conduct our business.

Our current regulatory approvals could now be, or could become, insufficient in the view of domestic or foreign regulatory authorities, any additional necessary approvals may not be granted on a timely basis, or at all, in jurisdictions in which we currently plan to offer products and services, and applicable restrictions in those jurisdictions could become unduly burdensome.

Our operations are subject to regulations of the U.S. State Department s Office of Defense Trade Controls relating to the export of satellites and related technical data, the U.S. Treasury Department s Office of Foreign Assets Control relating to financial transactions and the U.S. Commerce Department s Bureau of Industry and Security relating to our handsets. We are also required to provide certain U.S. and foreign government law enforcement and security agencies with call interception services. In the course of seeking regulatory approval of the Acquisition, we discussed with the U.S. Department of Justice, or DOJ, procedures we used to satisfy our respective call interception obligations under licenses issued by the Australian and Canadian authorities. We have informed the DOJ and notified the Australian and Canadian authorities that we have discontinued such procedures until such time as the DOJ expressly authorizes their use. There can be no assurance that the discontinued procedures will be permitted to be reinstated or will not result in legal liability for us. We are currently in discussions with the Australian and Canadian authorities to obtain amendments or waivers to our licenses in those countries. Neither Australia nor Canada is obligated to grant such amendments or waivers and there can be no assurance that Australian and Canadian authorities will not suspend or revoke our licenses or take other legal actions.

These U.S. and foreign obligations and regulations may limit or delay our ability to offer products and services in a particular country. As new laws and regulations are issued, we may be required to modify our business plans or operations. If we fail to comply with these regulations in the United States or any other country, we could be subject to sanctions that could make it difficult or impossible to operate in the United States or such other country. In addition, changing and conflicting national and local regulatory requirements may cause us to be in compliance with local requirements in one country, while not being in compliance with the laws and regulations of another. Any imposition of sanctions, losses of licenses and failure to obtain the authorizations necessary to use our assigned radio frequency spectrum and to distribute our products in certain countries could cause us to lose sales, hurt our reputation and impair our ability to pursue our business plan.

Our business would be negatively impacted if the FCC revokes, modifies or fails to renew or amend our licenses.

FCC licenses we hold, specifically a license for the satellite constellation, licenses for our U.S. gateway and other ground facilities and blanket earth station licenses for U.S. government customers and commercial subscribers, are subject to revocation if we fail to satisfy specified conditions or to meet prescribed milestones. The FCC licenses are also subject to modification by the FCC. While our FCC satellite constellation license is valid until 2013, we are required in August 2010 to apply for a license renewal with the FCC. The U.S. gateway earth station licenses expire between 2011 and 2022 and the U.S. government customer and commercial subscribers earth station licenses will expire in 2021. We must file renewal applications for earth station licenses between 30 and 90 days prior to expiration. There can be no assurance that the FCC will renew the FCC licenses we hold. If the FCC revokes, modifies or fails to renew FCC licenses we hold, or if we fail to satisfy any of the conditions of our respective FCC licenses, we may not be able to continue to provide mobile satellite communications services.

Pursuing strategic transactions may cause us to incur additional risks.

We may pursue acquisitions, joint ventures or other strategic transactions, although no such transactions that would be financially significant to us are probable at this time. We may face costs and risks arising from any such transactions, including integrating a new business into our business or managing a joint venture. These risks may include adverse legal, organizational and financial consequences, loss of key customers and distributors and diversion of management s time.

In addition, if we were to choose to engage in any major business combination or similar strategic transaction, we may require significant external financing in connection with the transaction. Depending on market conditions, investor perceptions of our company and other factors, we might not be able to obtain capital on acceptable terms, in acceptable amounts or at appropriate times to implement any such transaction. Any such financing, if obtained, may further dilute existing stockholders.

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Spectrum values historically have been volatile, which could cause our value to fluctuate.

Our business plan is evolving and it may in the future include forming strategic partnerships to maximize value for our spectrum, network assets and combined service offerings in the United States and internationally. Values that we may be able to realize from such partnerships will depend in part on the value ascribed to our spectrum. Valuations of spectrum in other frequency bands historically have been volatile, and we cannot predict at what amount a future partner may be willing to value our spectrum and other assets. In addition, to the extent that the FCC takes action that makes additional spectrum available or promotes the more flexible use or greater availability of existing satellite or terrestrial spectrum allocations, for example by means of spectrum leasing or new spectrum sales, the availability of such additional spectrum could reduce the value of our spectrum authorizations and the value of our business.

Prior to the Acquisition, we did not have any operations and Iridium Holdings never operated as a public company. Fulfilling our obligations as a public company will be expensive and time consuming.

Prior to the Acquisition, we operated as a public company that did not have operations. Iridium Holdings, as a private company, has not been required to prepare or file periodic and other reports with the SEC under applicable federal securities laws, to comply with the requirements of the federal securities laws applicable to public companies, or to document and assess the effectiveness of its internal controls in order to satisfy the requirements of the Sarbanes-Oxley Act of 2002, as amended, or Sarbanes-Oxley. Although we maintained disclosure controls and procedures and internal controls over financial reporting with respect to our activities, we have not been required to establish and maintain internal control over financial reporting with respect to Iridium Holdings. Deficiencies in controls may affect our ability to report our financial results on a timely basis or accurately, which could adversely affect our financial results or investors confidence and our ability to access external financing.

In addition, under Sarbanes-Oxley and the related rules and regulations of the SEC, we are required to implement additional corporate governance practices and adhere to a variety of reporting requirements and accounting rules. Compliance with these obligations require significant time and resources from our management, finance and accounting staff and will significantly increase our legal, insurance and financial compliance costs. As a result our costs as a percentage of revenue will likely be higher.

Our ability to operate our company effectively could be impaired if we lose members of our senior management team or key technical personnel.

We depend on the continued service of key managerial and technical personnel, as well as our ability to continue to attract and retain highly qualified personnel. We compete for such personnel with other companies, government entities, academic institutions and other organizations. The unexpected loss or interruption of the services of such personnel could compromise our ability to effectively manage our operations, execute our business plan and meet our strategic objectives.

If any of the sellers of Iridium Holdings have breached any of their representations, warranties or covenants set forth in the agreement relating to the Acquisition, our remedies for losses may be limited and we may be limited in our ability to collect for such losses.

Each seller agreed to indemnify us for breaches of its individual representations, warranties and covenants, subject to specified limitations, including that each seller s maximum liability for all indemnification claims against it will not exceed the sum of (i) the cash consideration received by such seller and (ii) the product of the number of shares of our common stock received by such seller and $10.00. Except for the pledge arrangements we have entered into with the sellers of the blocker holding companies described below, there are no escrow or other similar arrangements with any of the sellers and, in the event we suffer losses from a breach of a seller s representations, warranties or covenants, there can be no assurances that such seller will have the cash consideration or shares of our common stock received by such seller, or other available assets, to compensate us for our losses. Any losses realized in connection with the breach of any representation, warranty or covenant by any seller may have a material adverse effect on our financial condition and results of operations.

Some of the sellers in the Acquisition held their interests in Iridium Holdings through two blocker corporations, known as Baralonco N.V., or Baralonco, and Syncom-Iridium Holdings Corp., or Syncom, and in those circumstances we purchased ownership of those blocker corporations instead of directly purchasing the Iridium Holdings units they held. These blocker corporations are now our wholly owned subsidiaries. Each of the sellers of Baralonco and Syncom agreed to indemnify us for the pre-closing tax liabilities of their respective blocker corporation, subject to specified limitations. The maximum liability for the seller of Syncom cannot exceed $3.0 million and the maximum liability for the seller of Baralonco cannot exceed $15.0 million. In support of their respective tax indemnity obligations, the seller of Syncom pledged 300,000 shares of our common stock it received in the Acquisition for a period of nine months after the closing and the seller of Baralonco pledged

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1.5 million shares of our common stock it received in the Acquisition for a period of two years after the closing. The value of these pledged shares, and the amount of the sellers respective maximum liability, may not fully cover all pre-closing tax liabilities of Baralonco and Syncom, in which case we would be liable for any excess liability.

The market price of our common stock may be volatile.

The trading price of our common stock may be subject to substantial fluctuations. Factors affecting the trading price of our common stock may include:

- failure in the performance of our current or future satellites or a delay in the launch of Iridium NEXT;
- failure to obtain adequate financing in a timely manner;
- actual or anticipated variations in our operating results, including termination or expiration of one or more of our key contracts, or a change in sales levels under one or more of our key contracts;
- stockholders currently subject to lock-up agreements selling a significant number of their shares after the expiration thereof in September 2010;
- stockholders with registration rights exercising such registration rights and selling a large number of shares of our common stock;
- changes in financial estimates by industry analysts, or any failure by us to meet or exceed any such estimates, or changes in the recommendations of any industry analysts that elect to follow our common stock or the common stock of our competitors;
- actual or anticipated changes in economic, political or market conditions, such as recessions or international currency fluctuations;
- actual or anticipated changes in the regulatory environment affecting our industry;
- changes in the market valuations of our competitors; and
- announcements by our competitors regarding significant new products or services or significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives.

The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. If the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. In addition, the trading volume for our common stock historically has been low. Sales of significant amounts of shares of our common stock in the public market could lower the market price of our stock.

We do not expect to pay dividends on our common stock in the foreseeable future.

We do not currently pay cash dividends on our common stock and, because we currently intend to retain all cash we generate to fund the growth of our business, we do not expect to pay dividends on our common stock in the foreseeable future.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Our principal headquarters are located in Bethesda, Maryland, where we currently lease 13,417 square feet of office space. On August 17, 2009, we signed a lease for 21,573 square feet of office space in McLean, Virginia, which will serve as our new principal headquarters. We expect to occupy the new headquarters during the second quarter of 2010. We also own or lease the facilities described in the following table:

Location	Country	Approximate Square Feet	Facilities	Owned/Leased
Chandler, Arizona	USA	68,000	Technical Support Center, Distribution Center and Warehouse	Leased
Leesburg, Virginia	USA	40,000	Satellite Network Operations Center	Owned
Tempe, Arizona	USA	31,000	Gateway Earth Station	Owned Building on Leased Land
Tempe, Arizona	USA	25,000	Operations and Finance Office Space	Leased
Fairbanks, Alaska	USA	4,000	Satellite Earth Station Facility	Owned
Svalbard	Norway	1,800	Satellite Earth Station Facility	Owned Building on Leased Land
Yellowknife, Northwest Territories	Canada	1,800	Telemetry, Tracking and Control Station	Owned Building on Leased Land
Iqaluit, Nunavut	Canada	1,800	Telemetry, Tracking and Control Station	Owned Building on Leased Land

Item 3. Legal Proceedings

On February 9, 2010, Motorola filed a complaint against our wholly owned subsidiaries Iridium Holdings and Iridium Satellite LLC, or Iridium Satellite, in the Circuit Court of Cook County, Illinois, County Department Chancery Division. In this action, captioned Motorola, Inc. vs. Iridium Satellite LLC and Iridium Holdings LLC, Docket No. 10 CH 05684, Motorola alleges that the closing of the Acquisition in September 2009 constituted a change of control for purposes of the Senior Subordinated Term Loan Agreement between Motorola and Iridium Satellite dated December 11, 2000, which we refer to as the Note Agreement; that such change of control triggered Iridium Satellite s obligation to make specified commitment fee and success fee payments to Motorola under the Note Agreement; that pursuant to a guarantee agreement between Motorola and Iridium Holdings, Iridium Holdings has guaranteed all payments to be made by Iridium Satellite under the Note Agreement; and that Iridium Satellite has breached the Note Agreement by failing to make such payments and Iridium Holdings has breached its guaranty by failing to make payment for such sums owed by Iridium Satellite. Motorola is seeking a declaratory judgment that the Acquisition constituted a change of control for purposes of the Note Agreement and damages of at least $24,680,000 relating to such change of control.

If a declaratory judgment is granted that the Acquisition constituted a change of control, Motorola would also have the right to terminate certain of our intellectual property licenses. See Business Intellectual Property for more information about these licenses. In addition, although the complaint does not purport to implicate the TSA with Motorola, if the court were to issue a declaratory judgment holding that the Acquisition constituted a change of control, we would also owe Motorola additional payments under that agreement of up to $8.5 million plus accrued interest. More information about these rights is included under Business Our Network Constellation De-Orbiting Obligations. See also, Risk Factors Our agreements with Motorola contain potential payment provisions that may apply to the Acquisition; and Motorola has filed a complaint in Illinois state court seeking to compel us to make those payments and Risk Factors We are dependent on intellectual property licensed from Motorola and other third parties.

We believe that it is unclear whether and how the provisions of the Note Agreement were intended to apply to a transaction such as the Acquisition. Notwithstanding Motorola s filing of the complaint, we are engaged in ongoing discussions with Motorola in an effort to resolve the issues between us.

From time to time, in the normal course of business, we are party to various pending claims and lawsuits. Other than the Motorola action described above, we are not aware of any such actions that we would expect to have a material adverse impact on our business, financial results or financial position.

Item 4. Reserved

PART II

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

Our common stock has been listed on the NASDAQ Global Market under the symbol IRDM since September 24, 2009. Prior to this date, our common stock was listed on the NYSE Amex. The following table sets forth, for the quarters indicated, the quarterly high and low sales prices of our common stock as reported on the NASDAQ Global Market since our transfer of listing on September 24, 2009, and the NYSE Amex where our common stock commenced public trading on March 20, 2008.

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	Common Stock	
	High	Low
Period from March 20, 2008 to March 31, 2008	$ 9.10	$ 9.00
Quarter ended June 30, 2008	9.35	9.02
Quarter ended September 30, 2008	9.64	9.00
Quarter ended December 31, 2008	9.20	8.50
Quarter ended March 31, 2009	9.45	9.03
Quarter ended June 30, 2009	9.87	9.33
Quarter ended September 30, 2009	12.00	9.68
Quarter ended December 31, 2009	11.66	7.77

On March 12, 2010, the closing price of our common stock was $8.22. As of March 12, 2010, there were 173 holders of record of our common stock.

Dividend Policy

We have not paid any dividends on our common stock to date. Our Board of Directors currently intends to retain any earnings for use in our business operations and, accordingly, we do not anticipate that our Board of Directors will declare any dividends in the foreseeable future.

Stock Price Performance Graph

The graph below compares the cumulative total return of our common stock from March 20, 2008, the date that our common stock first became separately tradable, through December 31, 2009 with the comparable cumulative return of three indices, the S&P 500 Index, the Dow Jones Industrial Average Index and the NASDAQ Telecommunications Index. The graph plots the growth in value of an initial investment of $100 in each of our common stock, the Dow Jones Industrial Average Index, the S&P 500 Index and the NASDAQ Telecommunications Index over the indicated time periods, and assuming reinvestment of all dividends, if any, paid on our the securities. We have not paid any cash dividends and, therefore, the cumulative total return calculation for us is based solely upon stock price appreciation and not upon reinvestment of cash dividends. The stock price performance shown on the graph is not necessarily indicative of future price performance.

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	3/20/2008	3/31/2008	6/30/2008	9/30/2008	12/31/2008	3/31/2009	6/30/2009	9/30/2009	12/31/2009
Iridium Communications Inc.	$ 100.00	$ 100.22	$ 102.42	$ 101.32	$ 99.12	$ 103.19	$ 107.93	$ 125.66	$ 88.44
S&P 500 Index	$ 100.00	$ 99.49	$ 96.28	$ 87.73	$ 67.94	$ 60.01	$ 69.15	$ 79.51	$ 83.87
Dow Jones Industrial Average Index	$ 100.00	$ 99.20	$ 91.82	$ 87.78	$ 71.00	$ 61.55	$ 68.33	$ 78.57	$ 84.36
NASDAQ Telecommunications Index	$ 100.00	$ 101.83	$ 103.54	$ 89.47	$ 65.18	$ 67.23	$ 83.79	$ 94.67	$ 96.62

The information presented above in the stock performance graph shall not be deemed to be soliciting material or to be filed with the SEC or subject to Regulation 14A or 14C, except to the extent that we subsequently specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act of 1933, as amended, or Exchange Act.

Item 6. Selected Financial Data

Iridium Communications Inc.

The following selected historical financial data for the years ended December 31, 2009, 2008, and for the period from November 2, 2007 (inception) to December 31, 2007 was derived from Iridium Communications Inc. audited financial statements. The selected financial data below should be read in conjunction with Iridium Communications Inc. s financial statements and related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. The selected financial data is historical data for Iridium Communications Inc. on a stand-alone basis and is not necessarily indicative of future results of operations.

Statement of Operations Data: (a)	For the Year Ended December 31, 2009	For the Year Ended December 31, 2008	For the Period from November 2, 2007 (Inception) to December 31, 2007
	(In thousands, except per share amounts)		
Revenue:			
Services:			
Government	$ 19,159	$	$
Commercial	39,537		
Subscriber equipment	17,293		
Total revenue	$ 75,989	$	$
Total operating expenses	$ 88,301	$ 2,592	$ 4
Operating loss	$ (12,312)	$ (2,592)	$ (4)
Net (loss) income	$ (44,160)	$ 1,656	$ (4)
Weighted average shares outstanding basic and diluted	53,964	43,268	11,500
(Loss) earnings per share basic and diluted	$ (0.82)	$ 0.04	$ (0.00)

Balance Sheet Data:	2009	As of December 31, 2008	2007
		(In thousands)	
Total current assets	$ 221,056	$ 143	$ 184
Total assets	808,832	403,150	500
Total long term obligations (b)	111,222		
Common stock, subject to possible conversion (11,999,999 shares at conversion value)		119,988	
Total stockholders equity (c)	627,700	270,263	21

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Other Data	For the Year Ended December 31, 2009	2008	2007
		(In thousands)	
Cash provided by (used in):			
Operating activities	$ 23,168	$ 2,086	$
Investing activities	354,537	(401,838)	
Financing activities	(230,656)	399,697	184

(a) The year ended December 31, 2009 reflects the results of post-Acquisition activities for the three months ended December 31, 2009 and a $34.1 million change in the fair value of warrants due to our determination that the exchange agreements entered into with the holders of 26.8 million warrants were derivative instruments. We conducted no material operating activities for the year ended December 31, 2008 or the period from November 2, 2007 (inception) to December 31, 2007.

(b) Long-term obligations are presented net of an unamortized discount associated with a commitment fee to Motorola in connection with the TSA. The balance of the unamortized discount was $0.7 million at December 31, 2009 and $0 at December 31, 2008 and 2007.

(c) We have not declared or paid cash dividends on our common stock.

Iridium Holdings LLC Predecessor Company

The following selected historical financial data for the period from January 1, 2009 to September 29, 2009 and the years ended December 31, 2008 and 2007 was derived from Iridium Holdings audited financial statements included elsewhere in this Annual Report on Form 10-K. The information for the years ended December 31, 2006 and 2005 was derived from Iridium Holdings audited financial statements that are not included in this Annual Report on Form 10-K. The selected financial data below should be read in conjunction with Iridium Holdings financial statements and related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Annual Report on Form 10-K. The selected financial data is historical data for Iridium Holdings on a stand-alone basis and is not necessarily indicative of future results of operations.

Statement of Operations Data: (a)	For the Period from January 1, 2009 to September 29, 2009	For the Year Ended December 31, 2008	2007	2006	2005
		(In thousands, except per unit amounts)			
Revenue:					
Government services	$ 56,039	$ 67,759	$ 57,850	$ 50,807	$ 48,347
Commercial services	120,706	133,247	101,172	77,661	60,690
Subscriber equipment	66,206	119,938	101,879	83,944	78,663
Total revenue	242,951	320,944	260,901	212,412	187,700
Operating expenses:					
Cost of subscriber equipment sales	33,265	67,570	62,439	60,068	62,802
Cost of services (exclusive of depreciation and amortization)	58,978	69,882	63,614	60,685	56,909
Selling, general and administrative	44,505	55,105	46,350	33,468	30,135
Research and development	17,432	32,774	13,944	4,419	4,334
Depreciation and amortization	10,850	12,535	11,380	8,541	7,722
Transaction costs	12,478	7,959			
Satellite system development refund					(14,000)
Total operating expenses	177,508	245,825	197,727	167,181	147,902
Operating profit	65,443	75,119	63,174	45,231	39,798
Other (expense) income:					
Interest expense, net of capitalized interest	(12,829)	(21,094)	(21,771)	(15,179)	(5,106)
Interest expense recovered					2,526

Interest and other income	670	(146)	2,370	1,762	2,377
Total other (expense) income, net	(12,159)	(21,240)	(19,401)	(13,417)	(203)
Net income	$ 53,284	$ 53,879	$ 43,773	$ 31,814	$ 39,595
Net income attributable to Class A Units	$ 36,143	$ 36,456	$ 30,826	$ 22,692	$ 28,642
Weighted average Class A Units outstanding basic	1,084	1,084	1,084	840	609
Weighted average Class A Units outstanding diluted	1,168	1,098	1,084	840	609
Earnings per unit basic	$ 33.34	$ 33.63	$ 28.44	$ 27.02	$ 47.02
Earnings per unit diluted	$ 31.75	$ 33.40	$ 28.44	$ 27.02	$ 47.02

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Balance Sheet Data:	As of December 31, 2008	2007	2006	2005
		(In thousands)		
Total current assets	$ 101,355	$ 80,342	$ 84,035	$ 65,385
Total assets	190,569	167,581	161,525	129,397
Total long term obligations (b)	155,845	178,324	208,225	53,848
Total members deficit	(62,230)	(78,447)	(121,189)	(57,262)

Other Data:	For the Period from January 1, 2009 to September 29, 2009	For the Year Ended December 31, 2008	2007	2006	2005
			(In thousands)		
Cash provided by (used in):					
Operating activities	$ 64,230	$ 61,438	$ 36,560	$ 39,499	$ 30,742
Investing activities	(7,698)	(13,913)	(19,787)	(9,467)	(9,661)
Financing activities	(23,327)	(44,820)	(26,526)	(8,032)	(18,887)

(a) Iridium does not have a full year of operations in 2009 since the Acquisition closed on September 29, 2009. Beginning on January 1, 2006, Iridium measured the cost of employee services received in exchange for an award of equity units based on the fair value of the award at the date of grant. Iridium previously used the intrinsic method to measure employee share-based compensation. Under the intrinsic value method, compensation expense for the equity units was recorded only if on the date of grant, the fair value of the underlying equity units exceeded the exercise price.

(b) Long-term obligations are presented net of an unamortized discount associated with a commitment fee to Motorola in connection with the TSA. The balance of the unamortized discount was $1.3 million at December 31, 2008, $1.8 million at December 31, 2007, $2.3 million at December 31, 2006 and $2.7 million at December 31, 2005.

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

You should read the following discussion along with our consolidated financial statements and the consolidated financial statements of Iridium Holdings LLC (our predecessor entity) included in this Form 10-K.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Such forward-looking statements include those that express plans, anticipation, intent, contingency, goals, targets or future development or otherwise are not statements of historical fact. Without limiting the foregoing, the words believes, anticipates, plans, expects, intends and similar expressions are intended to identify forward-looking statements. These forward-looking statements are based on our current expectations and projections about future events and they are subject to risks and uncertainties known and unknown that could cause actual results and developments to differ materially from those expressed or implied in such statements. The important factors discussed under the caption Risk Factors, presented above, could cause actual results to differ materially from those indicated by forward-looking statements made herein. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Background and Recent Events

We were formed as GHL Acquisition Corp., a special purpose acquisition company, on November 2, 2007, for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business

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combination. We closed an initial public offering of our common stock on February 21, 2008. All of our activity from November 2, 2007 (inception) through February 21, 2008 related to our formation and initial public offering. From February 21, 2008 through September 29, 2009, our activities were limited to identifying prospective target businesses to acquire and complete a business combination, and we were considered to be in the development stage.

On September 29, 2009, we acquired, directly and indirectly, all the outstanding equity of Iridium Holdings LLC, or Iridium Holdings. We refer to this transaction as the Acquisition. Iridium Holdings and its two principal subsidiaries, Iridium Satellite LLC, or Iridium Satellite, and Iridium Constellation LLC, or Iridium Constellation, were formed under the laws of Delaware in 2000 and were organized as limited liability companies pursuant to the Delaware Limited Liability Company Act. We refer to Iridium Holdings, together with its direct and indirect subsidiaries, as Iridium. On December 11, 2000, Iridium acquired satellite communication assets from Iridium LLC, a non-affiliated debtor in possession, pursuant to an asset purchase agreement. Iridium and its affiliates held, and following the Acquisition we hold, various licenses and authorizations from the FCC and from international regulatory bodies that permit us to conduct our business, including the operation of our satellite constellation.

Pursuant to the terms of the Acquisition, we purchased all of the outstanding equity of Iridium Holdings. Total consideration included 29.4 million shares of our common stock and $102.6 million in cash, which included a requirement to make a payment of $25.5 million in cash to some of the former members of Iridium Holdings for tax benefits we received. This requirement was satisfied with payments subsequently made in December 2009 and January 2010. Upon closing of the Acquisition, we changed our name from GHL Acquisition Corp. to Iridium Communications Inc.

We accounted for our business combination with Iridium Holdings as a purchase business combination and recorded all assets acquired and liabilities assumed at their respective Acquisition-date fair values pursuant to accounting guidance that was effective at the time. Pursuant to this guidance, we were deemed the legal and accounting acquirer and Iridium Holdings the legal and accounting acquiree. Iridium is considered our predecessor and, accordingly, its historical financial statements are deemed to be our predecessor financial statements. Iridium s historical financial statements are included in this Form 10-K but are presented separately from our financial statements.

For the purposes of presenting consolidated financial statements as of and for the year ended December 31, 2009, we determined that the results of Iridium s operations for the one day period from the closing of the Acquisition to September 30, 2009 were not material. Accordingly, our consolidated statements of operations and cash flows for the year ended December 31, 2009 include the results of our pre-Acquisition operations for the nine months ended September 30, 2009 and our post-Acquisition operations for the three months ended December 31, 2009. All significant intercompany accounts and transactions have been eliminated in consolidation.

Overview

Following the Acquisition, we are now engaged primarily in providing mobile voice and data communications services using a constellation of orbiting satellites. We are the second largest provider of satellite-based mobile voice and data communications services, and the only provider of mobile satellite communications services offering 100% global coverage. Our satellite network provides communications services to regions of the world where existing wireless or wireline networks do not exist or are impaired, including extremely remote or rural land areas, airways, open-ocean, the polar regions and regions where the telecommunications infrastructure has been affected by political conflicts or natural disasters.

We offer voice and data communications services to businesses, the U.S. and foreign governments, non-governmental organizations and consumers using our constellation of in-orbit satellites and related ground infrastructure, including a primary commercial gateway. We utilize an interlinked, mesh architecture to route traffic across the satellite constellation using radio frequency crosslinks. This unique architecture minimizes the need for ground facilities to support the constellation, which facilitates the global reach of our services and allows us to offer services in countries and regions where we have no physical presence.

We sell our products and services to commercial end-users exclusively through a wholesale distribution network, encompassing approximately 65 service providers, 130 value-added resellers, or VARs, and 45 value-added manufacturers, who either sell directly to the end-user or indirectly through other service providers, VARs or dealers. These distributors often integrate our products and services with other complementary hardware and software and have developed a broad suite of applications for our products and services targeting specific vertical markets.

At December 31, 2009, we had approximately 369,000 subscribers worldwide (7.2% were machine-to-machine, or M2M, data subscribers who elected to suspend their accounts and as a result were not generating any fees at such time), which represented a 15.3% increase over December 31, 2008. We have a diverse customer base, including end-users in the following vertical markets: land-based handset; maritime;

aviation; M2M; and government.

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We expect our future revenue growth rates will be slower than our historical growth rates and we expect future growth will be affected by the current economic slowdown, increased competition, gradual maturation of the satellite communications industry and the difficulty in sustaining high growth rates as we increase in size.

Our business plan calls for the development of Iridium NEXT, the development of new product and service offerings, upgrades to our current services, hardware and software upgrades to maintain our ground infrastructure and upgrades to our business systems. We estimate the aggregate costs associated with the design, build and launch of Iridium NEXT and related infrastructure upgrades will be approximately $2.7 billion although we have not yet entered into definitive agreements for these activities and our actual cost could substantially exceed this estimate. We expect to fund a substantial portion of these costs from internally generated cash flows, including revenues from secondary payloads and warrant proceeds. We expect to finance the remaining cost by raising additional debt or equity financing. However, there can be no assurance that our internally generated cash flows will meet our expectations or that we will be able to obtain sufficient external capital to fund Iridium NEXT and implement other elements of our business plan, due to increased costs, lower revenues or inability to obtain additional financing. Among other factors leading to this uncertainty, some of the warrants whose proceeds we expect to use to fund a portion of Iridium NEXT are currently under water, meaning they have an exercise price per share that is significantly higher than the current price at which our common stock is trading. In addition, none of the warrants are callable by us until such time as our stock trades at a per share price greater than $14.25 for our $7.00 warrants or $18.00 for our $11.50 warrants for an extended period of time. As of March 12, 2010, the closing price of our common stock was $8.22 per share. Unless our stock price increases significantly, we would not expect the under-water warrants to be exercised and we will not be able to call any of the warrants. If we do not obtain such funds from internally generated cash flows, or from the net proceeds of future debt or equity financings, our ability to maintain our network, design, build and launch Iridium NEXT and related ground infrastructure, products and services, and pursue additional growth opportunities will be impaired.

The recent global economic crisis and related tightening of credit markets has also made it more difficult and expensive to raise capital. Our ability to obtain additional capital to finance Iridium NEXT and related ground infrastructure, products and services, and other capital requirements may be adversely impacted by the continuation of these market conditions. We have engaged Goldman, Sachs & Co. as our lead global advisor to help secure the funding necessary to design, build and launch Iridium NEXT, although we cannot assure you that we will have access to sources of financing on reasonable terms, or at all. If we are unable to obtain sufficient financing on acceptable terms, we may not be able to fully implement our business plan as currently projected, if at all, which would significantly limit the development of our business and impair our ability to provide a commercially acceptable level of service.

The impact of adding the fair value of Iridium s assets and liabilities to our balance sheet has resulted in a significant increase in the carrying value of our assets and liabilities. Because we estimated the fair value of the acquired assets and liabilities, we may revise those estimates through a measurement period ending September 29, 2010, the first anniversary of the Acquisition, if better information becomes available to us. When comparing our results of operations to that of our predecessor, Iridium, the impact of the acquisition accounting on the carrying value of inventory, property and equipment, intangible assets and accruals, increased by approximately $19.8 million, $332.5 million, $91.9 million and $9.6 million, respectively compared to Iridium s balance sheet as of September 29, 2009. Similarly, Iridium s deferred revenue decreased by $7.4 million. As a result of accounting adjustments related to the Acquisition, our cost of subscriber equipment sales will increase in 2010 as compared to those costs and expenses of Iridium in prior periods and the decrease in the carrying value of deferred revenue will result in a decrease in revenue in 2010. In addition, the increase in accruals will result in a reduction in cost of services (exclusive of depreciation and amortization) during 2010 and future periods. The increase in property and equipment and intangible assets will result in an increase to depreciation and amortization expense during 2010 and future periods.

Material Trends and Uncertainties

Iridium s industry and customer base has historically grown as a result of:

- demand for remote and reliable mobile communications services;
- increased demand for communications services by the Department of Defense, or DoD, disaster and relief agencies and emergency first responders;
- a broad and expanding wholesale distribution network with access to diverse and geographically dispersed niche markets;

a growing number of new products and services and related applications;

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improved data transmission speeds for mobile satellite service offerings;

regulatory mandates requiring the use of mobile satellite services, particularly among maritime end-users;

a general reduction in prices of mobile satellite services equipment; and

geographic market expansion through the receipt of licenses in additional countries.

Nonetheless, as we continue the Iridium business, we face a number of challenges and uncertainties, including:

our ability to obtain capital and external funding to meet our future capital requirements on acceptable terms or at all, including, in particular, the funding for developing Iridium NEXT and related ground infrastructure, products and services;

our ability to maintain the health, capacity, control and level of service of our satellite network during transition to Iridium NEXT;

changes in general economic, business and industry conditions;

our reliance on a single primary gateway and a primary satellite network operations center;

the competition from other mobile satellite service providers and, to a lesser extent, from the expansion of terrestrial based cellular phone systems and related pricing pressures;

our ability to maintain our relationship with U.S. government customers, particularly the DoD;

rapid and significant technological changes in the telecommunications industry;

reliance on our wholesale distribution network to market and sell our products, services and applications effectively; and

our ability to successfully resolve a dispute with Motorola, Inc., or Motorola, regarding fees they have alleged that we owe to them and to license the required intellectual property for Iridium NEXT.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations and those of Iridium, as our predecessor, is based upon our consolidated financial statements and those of Iridium, which have been prepared in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. The preparation of these financial statements requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates including those related to revenue recognition, useful lives of property and equipment, long-lived assets, goodwill and other intangible assets, inventory, income taxes, stock-based compensation and other estimates. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The accounting policies we believe to be most critical to understanding our financial results and condition and those of Iridium, as our predecessor, and that require complex and subjective management judgments are discussed below. Refer to the notes to our consolidated financial statements and those of Iridium for a full discussion of these significant accounting policies.

Revenue Recognition

Iridium derived, and we now derive, our revenue primarily as a wholesaler of satellite communications products and services. The primary types of revenue include (i) services revenue (access and usage-based airtime fees) and (ii) subscriber equipment revenue. Additionally, we generate revenue by providing engineering and support services to commercial and government customers.

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Wholesaler of satellite communications products and services

Pursuant to wholesale agreements, we sell products and services to service providers who, in turn, sell the products and services to other distributors or directly to the end-users. Generally, we recognize revenue when services are performed or delivery has occurred, evidence of an arrangement exists, the fee is fixed or determinable, and collection is probable, as follows:

Contracts with multiple elements

At times, we sell subscriber equipment through multi-element contracts that bundle subscriber equipment with airtime services. When we sell subscriber equipment and airtime services in bundled arrangements that include guaranteed minimum orders and we determine that we have separate units of accounting, we allocate the bundled contract price among the various contract deliverables based on each deliverable s relative fair value. We determine vendor specific objective evidence of fair value by assessing sales prices of subscriber equipment and airtime services when they are sold to customers on a stand-alone basis.

Services revenue sold on a stand-alone basis

We generate services revenue from our service providers through usage of our satellite system and through fixed monthly access fees per user charged to service providers. We recognize revenue for usage when the usage occurs. We recognize revenue for fixed-per-user access fees ratably over the period in which the services are provided to the end-user. We recognize revenue from prepaid services when usage occurs or, if not used, when the customer s right to access the unused prepaid services expires. We do not offer refund privileges for unused prepaid services. Deferred prepaid services revenue and access fees are typically earned and recognized as income within one year of customer prepayment. Based on historical information for prepaid scratch card services that do not have an initial expiration date, we record breakage associated with prepaid scratch card account balances for which the likelihood of redemption is remote, which is generally determined after 36 months from issuance.

Subscriber equipment sold on a stand-alone basis

We recognize subscriber equipment sales and the related costs when title to the equipment (and the risks and rewards of ownership) passes to the customer, typically upon shipment.

Services and subscriber equipment sold to the U.S. government

We provide airtime to U.S. government subscribers through (i) fixed monthly fees on a per user basis for unlimited voice services, (ii) fixed monthly fees per user for unlimited paging services and (iii) a tiered pricing plan (based on usage) per device, for data services. We recognize revenue related to these services ratably over the periods in which the services are provided and we expense the related costs as incurred. The U.S. government purchases its equipment from third-party service providers and not directly from us.

Government engineering and support services

We provide maintenance services to the U.S. government s dedicated gateway in Hawaii. We recognize this revenue ratably over the periods in which the services are provided. We expense costs as incurred.

Other government and commercial engineering and support services

We also provide certain engineering services to assist customers in developing new technologies for use on our satellite system. We recognize the revenue associated with these services when the services are rendered, typically on a percentage of completion method of accounting based on our estimate of total costs expected to complete the contract, and we expense related costs as incurred. We recognize revenue on cost-plus-fixed-fee contracts to the extent of estimated costs incurred plus the applicable fees earned. We consider fixed fees under cost-plus-fixed-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Accounting for Stock-Based Compensation

We account for stock-based compensation at fair value; accordingly, we expense the estimated fair value of stock-based awards made in exchange for employee services over the requisite employee service period. We determine stock-based compensation cost at the grant date using the Black-Scholes option pricing model. We recognize the value of the award that is ultimately expected to vest as expense on a straight-line

basis over the employee s requisite service period and that expense is classified in the statement of operations in a manner consistent with the statement of operations classification of the employee s salaries and other compensation.

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Business Combinations

We account for business combinations using the acquisition method of accounting. Under the acquisition method of accounting, we record all assets acquired and liabilities assumed at their respective acquisition-date fair value. We expense all acquisition-related costs as incurred.

Income Taxes

We account for income taxes using the asset and liability approach, which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax basis of our assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. We also recognize a tax benefit from uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Our policy is to recognize interest and penalties on uncertain tax positions as a component of income tax expense.

Recoverability of Long-Lived Assets

We assess the impairment of long-lived assets when indicators of impairment are present. We measure recoverability of assets by comparing the carrying amounts of the assets to the future undiscounted cash flows expected to be generated by the assets. Any impairment loss would be measured as the excess of the assets carrying amount over their fair value. Fair value is based on market prices where available, an estimate of market value or various valuation techniques.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. We perform impairment testing for goodwill annually or more frequently if indicators of potential impairment exist. If the fair value of goodwill were to be less than the carrying amount of goodwill, we would recognize an impairment loss.

Intangible Assets Not Subject to Amortization

A significant portion of our intangible assets are our spectrum and licenses, and trade names which are indefinite-lived intangible assets. We reevaluate the useful life determination for these assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. We test indefinite-lived intangible assets for potential impairment annually or more frequently if indicators of impairment exist. If the fair value of the indefinite-lived asset is less than the carrying amount, an impairment loss is recognized.

Intangible Assets Subject to Amortization

We amortize our intangible assets that do have finite lives, which consist of primarily customer relationships, both government and commercial, core developed technology and software, over their useful lives and we review them for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indicators were present, we would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount, that is, if the asset is not recoverable, we would perform the next step, which is to determine the fair value of the asset and record an impairment loss, if any. We reevaluate the useful lives for these intangible assets each reporting period to determine whether events and circumstances warrant a revision in their remaining useful lives.

Stock Purchase Warrants

We account for stock purchase warrants as equity securities unless, based on the underlying terms of the stock warrant purchase agreement, the warrants are determined to be derivative instruments. At December 31, 2009, all outstanding warrants were classified within stockholders equity.

Comparison of Our Results of Operations for the Years Ended December 31, 2009 and 2008

For the periods prior to the Acquisition, we did not engage in any significant operations or generate any revenues from operations. For the year ended December 31, 2009, we had $76.0 million of revenue, which is entirely attributable to the three months of operations after the Acquisition. We expect revenue to increase significantly in 2010 as we will have a full year of operations. See Comparison of Combined Results

of Operations for additional analysis.

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Total operating expenses increased to $88.3 million for the year ended December 31, 2009 from $2.6 million for the year ended December 31, 2008. This increase was primarily related to the three months of operations after the Acquisition and an increase in transaction costs primarily due to legal and advisory fees associated with the Acquisition.

Other expense changed to $33.2 million in the year ended December 31, 2009 from $5.6 million of other income in the year ended December 31, 2008. This change was primarily due to our determination that the exchange agreements entered into with the holders of 26.8 million warrants were derivative instruments and the change in fair value of these warrants was $34.1 million, along with a decrease in other income as a result of lower prevailing interest rates available on our cash, cash equivalents and short-term investment balances.

We had an income tax benefit of $1.3 million for the year ended December 31, 2009 compared to an income tax provision of $1.4 million for the year ended December 31, 2008. In 2009, we had current tax expenses primarily driven by the non-deductibility of the change in fair value of warrants and non-deductible transaction costs offset by a favorable change in the deferred tax balances due to the change in basis as a result of the Acquisition. The effective tax rate for the year ended December 31, 2009 was 2.90% compared to 45.02% in the equivalent period in 2008 due to the non-deductibility of certain transaction costs and the change in fair value for the derivative instruments associated with the warrant exchange and repurchase agreements. We do not expect the effective tax rate to continue at this level as the non-deductible items related to the warrant exchange agreements and the transaction costs are not expected to have a future impact.

Comparison of Our Results of Operations for the Year Ended December 31, 2008 and the Period from November 2, 2007 (Inception) to December 31, 2007

Net income for the year ended December 31, 2008 was $1.7 million compared to a net loss of approximately $4,000 for the period from November 2, 2007 (inception) to December 31, 2007. Operations in 2007 were limited to minimal administrative costs, compared to 2008, which consisted of approximately $5.6 million of interest income primarily from the trust account offset by approximately $2.1 million of transaction fees related to due diligence work incurred in conjunction with our proposed business combination, as well as selling, general and administrative expenses of $0.5 million and a provision for income taxes of approximately $1.4 million.

Comparison of Combined Results of Operations for the Year Ended December 31, 2009 and Iridium s Results of Operations for the Year Ended December 31, 2008

For comparison purposes, we have included the following discussion of our operating results and those of Iridium on a combined basis for the year ended December 31, 2009. This presentation is intended to facilitate the evaluation and understanding of the financial performance of our business on a year-to-year basis. Management believes this presentation is useful in providing the users of our financial information with an understanding of our results of operations because there were no material changes to the operations or customer relationships of Iridium as a result of the Acquisition. The combined presentation is a simple mathematical addition of the pre-Acquisition results of operations of Iridium for the period from January 1, 2009 to September, 29 2009 and our results of operations for the year ended December 31, 2009. We had no material operating activities from the date of formation of GHL Acquisition Corp. until the Acquisition. Accordingly, we are comparing the 2009 combined results to Iridium s results of operations for the year ended December 31, 2008. There are no other adjustments made in the combined presentation.

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	Iridium Communications Inc. Year Ended December 31, 2009 As Reported	Iridium Period from January 1, 2009 to September 29, 2009 As Reported	Combined Year Ended December 31, 2009	Iridium Year Ended December 31, 2008 As Reported	% Change
			(In thousands)		
Revenue:					
Services:					
Government	$ 19,159	$ 56,039	$ 75,198	$ 67,759	11.0%
Commercial	39,537	120,706	160,243	133,247	20.3%
Subscriber equipment	17,293	66,206	83,499	119,938	(30.4)%
Total revenue	75,989	242,951	318,940	320,944	(0.6)%
Operating expenses:					
Cost of subscriber equipment sales	18,657	33,265	51,922	67,570	(23.2)%
Cost of services (exclusive of depreciation and amortization)	18,965	58,978	77,943	69,882	11.5%
Research and development	5,974	17,432	23,406	32,774	(28.6)%
Depreciation and amortization	21,513	10,850	32,363	12,535	158.2%
Selling, general and administrative	17,029	44,505	61,534	55,105	11.7%
Transaction costs	6,163	12,478	18,641	7,959	134.2%
Total operating expenses	88,301	177,508	265,809	245,825	8.1%
Operating (loss) profit	(12,312)	65,443	53,131	75,119	(29.3)%
Other (expense) income:					
Change in fair value of warrants	(34,117)		(34,117)		NM
Interest expense, net of capitalized interest	(355)	(12,829)	(13,184)	(21,094)	(37.5)%
Interest income and other income (expense), net	1,303	670	1,973	(146)	NM
Total other (expense) income	(33,169)	(12,159)	(45,328)	(21,240)	113.4%
Earnings (loss) before (benefit) provision for taxes	(45,481)	53,284	7,803	53,879	(85.5)%
Income tax (benefit) provision	(1,321)		(1,321)		NM
Net (loss) income	$ (44,160)	$ 53,284	$ 9,124	$ 53,879	(83.1)%

NM = Not Meaningful

Revenue

Total revenue decreased by less than 1.0% to $318.9 million on a combined basis for the year ended December 31, 2009 from $320.9 million for the year ended December 31, 2008, due principally to a significant decrease in sales of subscriber equipment, offset by increased sales of commercial and government services. Total subscribers increased by approximately 15.3% during the year ended December 31, 2009 to approximately 369,000 compared to an increase of approximately 36.6% during the year ended December 31, 2008. Subscriber growth slowed in the year ended December 31, 2009 as compared to the year ended December 31, 2008, primarily due to the economic environment.

Government Services Revenue

Government services revenue increased by 11.0% to $75.2 million on a combined basis for the year ended December 31, 2009 from $67.8 million for the year ended December 31, 2008, primarily as a result of an overall increase in work performed under engineering and support services contracts in 2009. In addition, voice services revenue increased primarily due to the full year impact of price increases implemented in April 2008, and an increase in M2M data revenue driven primarily by subscriber growth. The number of voice subscribers remained constant from 2008 to 2009, because the increase in handset subscribers was offset by a decrease in paging subscribers and voice average revenue per unit, or ARPU, increased by $5 to $150 in 2009 from $145 in 2008 primarily due to an increase in the monthly access fee. M2M data ARPU increased by $5 to $21 in 2009 from $16 in 2008 primarily due to a mix change in our tiered pricing data plans. We expect government revenue to be slightly lower in 2010 as compared to 2009 as engineering and support services contract work is expected to decrease in 2010 as work curtails. Also, future growth in voice and M2M data subscribers and revenue may be negatively affected by changes in U.S. defense spending and usage under our agreement with the U.S. government, which accounts for a majority of our government services revenue and is subject to annual renewals.

	Government Services								
	Combined Year Ended December 31, 2009			Iridium Year Ended December 31, 2008			Year over Year Change		
	(Revenue in millions and subscribers in thousands)								
	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers	ARPU
Voice	$ 53.0	29.4	$ 150	$ 52.2	29.4	$ 145	$ 0.8		$ 5
M2M data	0.8	4.1	21	0.3	1.9	16	0.5	2.2	5
Engineering and support	21.4			15.3			6.1		
Total	$ 75.2	33.5		$ 67.8	31.3		$ 7.4	2.2	

(1) Subscriber numbers shown are at the end of the respective period.

(2) ARPU is calculated by dividing revenue in the respective period by the average of the number of subscribers at the beginning of the period and the number of subscribers at the end of the period and then dividing the result by the number of months in the period.

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Commercial Services Revenue

Commercial services revenue increased by 20.3% to $160.2 million on a combined basis for the year ended December 31, 2009 from $133.2 million for the year ended December 31, 2008, due principally to growth in commercial voice service subscribers and a $5 increase per user in monthly access fees in January 2009. M2M data revenue growth was driven principally by evolving applications developed by several of our distributors, and an increase in the subscriber base slightly offset by a decline in usage related to the expiration of a special customer promotion in 2008. M2M data ARPU decreased by $2 to $16 in 2009 from $18 in 2008, primarily due to an increase in our suspended accounts in 2009, which did not have corresponding revenue.

In addition, we have a significant number of active M2M data subscribers who subscribe through a VAR who is currently substantially behind on payment. If we choose to terminate our relationship with this VAR for non-payment, there is no guarantee that these end-user subscribers, with whom we do not have a direct relationship, will migrate to another of our service providers or VARs to purchase our products and services. Although we do not expect that such a termination would have a material impact on our financial results of operations, it would dramatically decrease our subscriber growth rate.

	Commercial Services								
	Combined Year Ended December 31, 2009			Iridium Year Ended December 31, 2008			Year over Year Change		
	(Revenue in millions and subscribers in thousands)								
	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers	ARPU
Voice	$ 143.1	238.4	$ 52	$ 121.2	217.6	$ 52	$ 21.9	20.8	$
M2M data[3]	16.5	96.9	16	11.3	71.0	18	5.2	25.9	(2)
Other	0.6			0.7			(0.1)		
Total	$ 160.2	335.3		$ 133.2	288.6		$ 27.0	46.7	

(1) Subscriber numbers shown are at the end of the respective period.

(2) ARPU is calculated by dividing revenue in the respective period by the average of the number of subscribers at the beginning of the period and the number of subscribers at the end of the period and then dividing the result by the number of months in the period.

(3) 26.6 subscribers at December 31, 2009 and 12.0 subscribers at December 31, 2008 were M2M data subscribers who elected to suspend their accounts and as a result were not generating any fees at such time.

Subscriber Equipment Revenue

Subscriber equipment sales decreased by 30.4% to $83.5 million on a combined basis for the year ended December 31, 2009 from $119.9 million for the year ended December 31, 2008. Decreased subscriber equipment sales were primarily due to lower volumes driven largely by reduced demand for satellite equipment caused by the current economic downturn and customer defections from a competitor in 2008. In addition, we have decreased unit prices in response to competitive pressures and also to incent future growth in services revenue. Equipment volume could continue to be affected by increased competitive pressure and the economy in the near term. Subscriber equipment sales to the U.S. government through a non-government distributor may be negatively affected by significant changes in U.S. defense spending and usage under our agreements with the U.S. government, which are subject to annual renewals.

Operating Expenses

Total operating expenses increased by 8.1% to $265.8 million on a combined basis for the year ended December 31, 2009 from $245.8 million for the year ended December 31, 2008. This increase was due primarily to increased depreciation and amortization, increased cost of services (exclusive of depreciation and amortization) and increased transaction costs incurred to complete the Acquisition, offset by lower cost of subscriber equipment due to a decrease in sales and lower research and development expenses.

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Cost of Subscriber Equipment Sales

Cost of subscriber equipment sales generally includes the direct costs of equipment sold which are manufacturing costs, allocation of overhead, warranty costs and royalties paid for the subscriber equipment intellectual property.

Cost of subscriber equipment sales decreased by 23.2% to $51.9 million on a combined basis for the year ended December 31, 2009 from $67.5 million for the year ended December 31, 2008 due to a decrease in sales of subscriber equipment and lower manufacturing costs, partially offset by an $8.9 million increase related to higher inventory values due to the Acquisition. Equipment volume could continue to be impacted by increased competitive pressure and the economy in the near term or changes in U.S. defense spending.

Cost of Services (exclusive of depreciation and amortization)

Cost of services (exclusive of depreciation and amortization) generally includes the cost of network engineering and operations staff and subcontractors, software maintenance, product support services and cost of services for government engineering and support revenue.

Cost of services (exclusive of depreciation and amortization) increased by 11.5% to $77.9 million on a combined basis for the year ended December 31, 2009 from $69.9 million for the year ended December 31, 2008, primarily due to increased engineering and support services related to government revenues, along with increased operations and maintenance expenses from annual price escalations in the long-term operations and maintenance agreement, or the O&M Agreement, between Iridium Constellation and the Boeing Company, or Boeing. We expect cost of services to slightly decrease in 2010 as our level of effort under government engineering and support services contracts decreases as work curtails.

Research and Development

Research and development expenses decreased by 28.6% to $23.4 million on a combined basis for the year ended December 31, 2009 from $32.8 million for the year ended December 31, 2008, primarily as a result of a significant decrease in expenses related to our L-Band Transceiver project and Iridium NEXT, and reduced spending on Iridium OpenPort, the development of which was completed in 2008. These decreases were partially offset by increases in expenses related to government handset upgrade projects and future gateway upgrade projects.

Depreciation and Amortization

Depreciation and amortization expenses increased by 158.2% to $32.4 million on a combined basis for the year ended December 31, 2009 from $12.5 million for the year ended December 31, 2008, primarily due to a $17.8 increase to depreciation and amortization due to increased asset values related to acquisition accounting, and additional depreciation associated with new assets placed in service, primarily equipment and software for our satellite network operations center, gateway and corporate systems. We expect depreciation and amortization expense in 2010 to continue to be at levels significantly higher than in 2009 primarily due to higher asset values as a result of the Acquisition.

Selling, General and Administrative

Selling, general and administrative expenses generally include sales and marketing costs as well as legal, finance, information technology, facilities, billing and customer care expenses.

Selling, general and administrative expenses increased by 11.7% to $61.5 million on a combined basis for the year ended December 31, 2009 from $55.1 million for the year ended December 31, 2008 primarily due to accelerated vesting of employee share-based awards as a result of the Acquisition, an increase in bad debt expense, higher licensing and regulatory fees, and non-Acquisition legal fees, partially offset by decrease in travel expenses and consulting fees.

Transaction Costs

Transaction costs related to the Acquisition increased by 134.2% to $18.6 million on a combined basis for the year ended December 31, 2009 from $8.0 million for the year ended December 31, 2008. This increase was due to increased legal, accounting, and advisory fees for Iridium prior to the Acquisition.

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Other (Expense) Income

Change in Fair Value of Warrants

Change in fair value of warrants was $34.1 million for the year ended December 31, 2009 on a combined basis and was $0 for the year ended December 31, 2008. We determined that the exchange agreements entered into with the holders of warrants to purchase an aggregate of 26.8 million shares of our common stock were derivative instruments and the change in fair value of these warrants between the offer date and exchange date was recorded in 2009. We do not expect a change in future periods as these agreements have been settled.

Interest Expense, Net of Capitalized Interest

Interest expense decreased by 37.5% to $13.2 million on a combined basis for the year ended December 31, 2009 from $21.1 million for the year ended December 31, 2008. This decrease resulted from lower prevailing interest rates on the credit facilities and a lower outstanding balance on Iridium s debt as mandatory prepayments on the credit facilities were made in the fourth quarter of 2008 and the second quarter of 2009 pursuant to the amendment of the credit facilities agreement, which was paid off on September 30, 2009. If we are successful in obtaining third party debt financing to support a portion of our development of Iridium NEXT, our interest expense in 2010 could be significantly higher than in 2009.

Interest Income and Other Income (Expense), net

Interest income and other income (expense), net increased by $2.1 million to $2.0 million on a combined basis for the year ended December 31, 2009 from $(0.1) million for the year ended December 31, 2008. This increase was primarily due to a reduction in the impact of foreign currency exchange transaction costs.

Income Tax Benefit

Prior to the completion of the Acquisition, Iridium was a limited liability company treated as a partnership for income tax purposes; therefore, the members were subject to income taxation and Iridium did not have any income tax benefit or provision for the period from January 1, 2009 to September 29, 2009 and for the year ended December 31, 2008. For the year ended December 31, 2009, we had an income tax benefit of $1.3 million. In 2009, we had current tax expenses primarily driven by the non-deductibility of the change in the fair value of warrants and non-deductible transaction costs offset by a favorable change in the deferred tax balances due to the change in basis as a result of the Acquisition.

Comparison of Iridium s Results of Operations for the Years Ended December 31, 2008 and 2007

For comparison purposes, we have included a discussion of the operating results of Iridium (the predecessor entity) for the years ended December 31, 2008 and 2007. Management believes this presentation facilitates the evaluation and understanding of the results of Iridium s operations since our company conducted no material operating activities from the date of its formation as GHL Acquisition Corp. until the Acquisition.

Revenue

Total revenue increased by $60.0 million, or approximately 23.0%, to $320.9 million for the year ended December 31, 2008 from $260.9 million for the year ended December 31, 2007, due principally to growth in total subscribers, increased commercial services revenue, increased subscriber equipment sales and increased contract revenue from the DoD as well as the renewal of its service agreements with the U.S. government and related fee increases. Total subscribers increased 36.6% from approximately 234,000 at December 31, 2007 to approximately 320,000 at December 31, 2008.

Government Services Revenue

Government services revenue increased by 17.3% to $67.8 million for the year ended December 31, 2008 from $57.8 million for the year ended December 31, 2007. This growth was driven primarily by an increase in engineering and support services revenue relating to several research and development agreements with the iGPS contract and other U.S. government agencies, including secondary payload research studies. The remaining growth was attributable to a 5.0% increase in user fees and higher gateway maintenance revenue as provided in Iridium s agreements with the U.S. government, which became effective April 1, 2008.

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	Government Services								
	Iridium Year Ended December 31, 2008			Iridium Year Ended December 31, 2007			Year over Year Change		
	(Revenue in millions and subscribers in thousands)								
	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers	ARPU
Voice	$ 52.2	29.4	$ 145	$ 48.6	30.7	$ 137	$ 3.6	(1.3)	$ 8
M2M data	0.3	1.9	16	0.1	1.0	25	0.2	0.9	(9)
Engineering and support	15.3			9.1			6.2		
Total	$ 67.8	31.3		$ 57.8	31.7		$ 10.0	(0.4)	

(1) Subscriber numbers shown are at the end of the respective period.
(2) ARPU is calculated by dividing revenue in the respective period by the average of the number of subscribers at the beginning of the period and the number of subscribers at the end of the period and then dividing the result by the number of months in the period.

Commercial Services Revenue

Commercial services revenue increased by 31.6% to $133.2 million for the year ended December 31, 2008 from $101.2 million for the year ended December 31, 2007, due principally to growth in subscribers and associated usage and access fees resulting from increased overall demand for both voice and M2M data services as well as customer defections from a competitor.

	Commercial Services								
	Iridium Year Ended December 31, 2008			Iridium Year Ended December 31, 2007			Year over Year Change		
	(Revenue in millions and subscribers in thousands)								
	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers[1]	ARPU[2]	Revenue	Subscribers	ARPU
Voice	$ 121.2	217.6	$ 52	$ 95.0	169.8	$ 52	$ 26.2	47.8	$
M2M data[3]	11.3	71.0	18	5.5	32.7	21	5.8	38.3	(3)
Other	0.7			0.7					
Total	$ 133.2	288.6		$ 101.2	202.5		$ 32.0	86.1	

(1) Subscriber numbers shown are at the end of the respective period.
(2) ARPU is calculated by dividing revenue in the respective period by the average of the number of subscribers at the beginning of the period and the number of subscribers at the end of the period and then dividing the result by the number of months in the period.
(3) 12.0 subscribers at December 31, 2008 and 4.4 subscribers at December 31, 2007 were M2M data subscribers who elected to suspend their accounts and as a result were not generating any fees at such time.

Subscriber Equipment Sales

Subscriber equipment sales increased by 17.7% to $119.9 million for the year ended December 31, 2008 from $101.9 million for the year ended December 31, 2007. Increased subscriber equipment sales were driven principally by subscriber growth and the related increase in sales of Iridium s satellite handsets and Iridium 9601 data modem. Although the proportion of satellite handset sales relative to sales of Iridium s other lower priced devices decreased during the period, sales of Iridium s higher priced handsets grew in absolute terms, contributing significantly to growth in its revenue from subscriber equipment sales. Until the introduction of its Iridium OpenPort terminals, Iridium s satellite handsets had been its highest priced devices.

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Operating Expenses

Total operating expenses increased by 24.3% to $245.8 million for the year ended December 31, 2008 from $197.7 million for the year ended December 31, 2007. This increase was due primarily to increased costs of sales resulting from a growth in sales of Iridium s voice and data devices as well as increased research and development expenses related to the development of new subscriber equipment and services and Iridium NEXT. Total operating expenses for the period also increased as a result of higher selling, general and administrative expenses resulting from increased personnel expenses from growth in total employees resulting from its expansion and higher transaction costs as Iridium worked towards completing the Acquisition.

Cost of Subscriber Equipment Sales

Cost of subscriber equipment sales increased by 8.3% to $67.6 million for the year ended December 31, 2008 from $62.4 million for the year ended December 31, 2007, primarily as a result of subscriber growth and the related increase in sales of Iridium s voice and data devices, particularly its satellite handsets. Iridium s handsets have the highest production costs of all its devices, except for Iridium OpenPort. This increase in costs of sales was offset by a decrease in the cost of recognizing previously deferred subscriber equipment sales of $8.4 million, or approximately 71.2%, to $3.4 million for the period ended December 31, 2008, from $11.8 million in 2007. Effective January 1, 2005, equipment sales and related costs are recognized when equipment title passes to the customer.

Cost of Services (exclusive of depreciation and amortization)

Cost of services (exclusive of depreciation and amortization) expenses increased by 9.9% to $69.9 million for the year ended December 31, 2008 from $63.6 million for the year ended December 31, 2007, primarily as a result of increased maintenance expenses with respect to Iridium s satellite network due to the annual price escalation clause in the O&M Agreement, higher fees for software licensing and maintenance, increased expenses related to engineering and support services related to the iGPS contract, and an increase in variable network costs, including termination costs.

Depreciation and Amortization

Depreciation and amortization expenses increased by 9.6% to $12.5 million for the year ended December 31, 2008 from $11.4 million for the year ended December 31, 2007, primarily as a result of additional depreciation associated with new equipment placed in service, including a new satellite earth station facility in Norway and equipment for Iridium s satellite network operations center and gateway.

Research and Development

Research and development expenses increased by 134.3% to $32.8 million for the year ended December 31, 2008 from $14.0 million for the year ended December 31, 2007, primarily as a result of increased expenses related to investments in new subscriber equipment and services, including Iridium s next generation satellite handset, L-Band transceiver and short burst data modem and Iridium OpenPort, as well as the development of Iridium NEXT.

Selling, General and Administrative

Selling, general and administrative expenses increased by 19.0% to $55.1 million for the year ended December 31, 2008 from $46.3 million for the year ended December 31, 2007, primarily as a result of higher legal, regulatory and accounting expenses in 2008 resulting from Iridium s increased personnel and other administrative expenses related to growth and pursuit of expansion opportunities.

Transaction Costs

Transaction costs were $7.9 million for the year ended December 31, 2008. Transaction costs primarily include legal, accounting and consulting fees. There were no such costs for the year ended December 31, 2007.

Other (Expense) Income

Interest Expense, Net of Capitalized Interest

Interest expense decreased by 3.2% to $21.1 million for the year ended December 31, 2008 from $21.8 million for the year ended December 31, 2007. This decrease resulted from lower outstanding balances on Iridium s first and second lien credit agreements.

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Interest Income and Other Income (Expense), net

Interest and other income decreased by 104.2% to ($0.1) million for the year ended December 31, 2008 from $2.4 million for the year ended December 31, 2007. This decrease was due to lower interest income resulting from a decrease in the interest earned on Iridium s cash and cash equivalents and short term investments offset by increased foreign currency transaction losses.

Liquidity and Capital Resources

Our principal sources of liquidity are existing cash and internally generated cash flow. Our principal liquidity requirements are to meet capital expenditure needs, including the development of Iridium NEXT, working capital, and research and development.

We believe that our sources of liquidity will provide sufficient funds for us to meet our liquidity requirements for 2010, exclusive of requirements in connection with the continued development of Iridium NEXT. We anticipate entering into contracts and making contractual commitments for the design, manufacturing and deployment of Iridium NEXT, which will require substantial capital in 2010 and thereafter. Prior to entering into commitments, we will need to secure financing.

We expect to fund a substantial portion of the costs associated with Iridium NEXT from internally generated cash flows, including potential revenues from secondary payloads hosted on our Iridium NEXT satellites, and from the proceeds generated from the exercise of outstanding stock purchase warrants. However, a portion of the warrants whose proceeds we expect to use to fund a portion of Iridium NEXT are currently under water, meaning they have an exercise price per share that, for certain of our warrants, is significantly higher than the current price at which our common stock is trading. In addition, none of the warrants are callable by us until such time as our stock trades at a per share price greater than $14.25 for our $7.00 warrants, or $18.00 for our $11.50 warrants, for an extended period of time. As of March 12, 2010 the closing price of our common stock was $8.22 per share. Unless our stock price increases significantly, we would not expect the under-water warrants to be exercised and we will not be able to call any of the warrants. If we do not obtain such funds from internally generated cash flows, or from the net proceeds of future debt or equity financings, our ability to maintain our network, design, build and launch Iridium NEXT and related ground infrastructure, products and services, and pursue additional growth opportunities will be impaired. If future internally generated cash flows and revenue from hosting secondary payloads are below expectations, the cost of developing Iridium NEXT is higher than anticipated or warrant proceeds are not realized, we will require even more external funding than planned. Since we have not yet entered into an agreement with a prime contractor for Iridium NEXT, the exact amount and timing of the payments to be owed under any such agreement is uncertain. If the timing or amount of our payments under an agreement with our prime contractor are due sooner than expected or are larger than anticipated, we may not have sufficient liquidity to make those payments. Our ability to obtain additional funding for Iridium NEXT may be adversely impacted by a number of factors, including the global economic crisis and related tightening of the credit markets. We cannot assure you that we will be able to obtain such additional liquidity on reasonable terms, or at all. If we are not able to secure such financing, we would need to delay some or all of the elements of our Iridium NEXT development. Our liquidity and our ability to fund our liquidity requirements is also dependent on our future financial performance, which is subject to general economic, financial, regulatory and other factors that are beyond our control.

Cash and Indebtedness

Our total cash and cash equivalents were $147.2 million at December 31, 2009 and we had $12.0 million of external indebtedness to Motorola at December 31, 2009.

Cash Flows

The following section highlights our cash flows for the years ended December 31, 2009 and 2008, and for the period from November 2, 2007 (inception) to December 31, 2007, and Iridium s cash flows for the period from January 1, 2009 to September 29, 2009, or the 2009 Period, and the years ended December 31, 2008 and 2007:

Our Cash Flows

The following table shows our consolidated cash flows from operating, investing and financing activities for the years ended December 31, 2009 and 2008, and for the period from November 2, 2007 (inception) to December 31, 2007 (in millions):

Statements of Cash Flows

	Year ended December 31, 2009	Year ended December 31, 2008	For the Period from November 2, 2007 (Inception) to December 31, 2007
Cash flows provided by operating activities	$ 23.2	$ 2.1	$
Cash flows provided by (used in) investing activities	354.5	(401.8)	
Cash flows (used in) provided by financing activities	(230.6)	399.7	0.2
Net increase in cash and cash equivalents	$ 147.1	$	$ 0.2

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Cash Flows from Operating Activities

Net cash provided by our operating activities for the year ended December 31, 2009 was $23.2 million resulting from net income of $10.2 million after adjusting for $54.4 million of non-cash items and $13.0 million generated from our working capital primarily due to a decrease in accounts receivable related to timing of collections, an increase in our allowance for doubtful accounts for certain customers, and a decrease in inventory related to inventory management.

Net cash provided by our operating activities for the year ended December 31, 2008 was $2.1 million resulting from net income of $0.5 million after adjusting for $1.2 million of non-cash items, and $1.6 million generated from our working capital.

There was no cash provided by or used in operating activities in the period from November 2, 2007 (inception) to December 31, 2007.

Cash Flows from Investing Activities

Net cash provided by investing activities for the year ended December 31, 2009 was $354.5 million resulting from $401.8 million of funds transferred from the trust account into operations and $58.0 million of cash acquired from Iridium, offset in part by $98.0 million paid to the sellers resulting from the Acquisition and $7.4 million of capital expenditures related to equipment and software for our satellite and network operations, gateway and corporate systems.

Net cash used in investing activities for the year ended December 31, 2008 was $401.8 million resulting primarily from $400.0 million of funds from the initial public offering transferred to the trust account.

There was no cash provided by or used in investing activities in the period from November 2, 2007 (inception) to December 31, 2007.

Cash Flows from Financing Activities

Net cash used in financing activities in the year ended December 31, 2009 was $230.6 million primarily resulting from $164.9 million for the purchase of shares, a $91.7 million payment to holders of common stock who elected to convert their shares into a pro rata portion of the trust account and repayments of all outstanding amounts under Iridium s credit facilities of $113.6 million, partly offset by $148.8 million in net proceeds from our public offering on September 29, 2009.

Net cash provided by financing activities in the year ended December 31, 2008 was $399.7 million primarily resulting from the proceeds of the public offering on February 1, 2008 of $400.0 million.

Net cash provided by financing activities in the period from November 2, 2007 (inception) to December 31, 2007 was $0.2 million.

Iridium s Cash Flows

The following table shows Iridium s consolidated cash flows from operating, investing and financing activities for the 2009 Period, and the years ended December 31, 2008 and 2007 (in millions):

Statements of Cash Flows	2009 Period	Year ended December 31, 2008	Year ended December 31, 2007
Cash flows provided by operating activities	$ 64.2	$ 61.4	$ 36.5
Cash flows used in investing activities	(7.7)	(13.9)	(19.8)
Cash flows used in financing activities	(23.3)	(44.8)	(26.5)
Net increase (decrease) in cash and cash equivalents	$ 33.2	$ 2.7	$ (9.8)

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Cash Flows Provided by Operating Activities

Iridium s net cash provided by operating activities for the 2009 Period increased to $64.2 million from $61.4 million for the year ended December 31, 2008. This increase of $2.8 million was primarily attributable to less cash used by working capital due to the 2009 Period not including activity for the three months ended December 31, 2009 as a result of the Acquisition, lower inventory balances as demand slowed for equipment in the 2009 Period and inventory management processes, partially offset by timing of payments to vendors.

Net cash provided by operating activities for the year ended December 31, 2008 increased to $61.4 million from $36.6 million for the year ended December 31, 2007. This increase was attributable primarily to a $10.1 million increase in net income, an $11.1 million increase in working capital and a $3.6 million increase in non-cash adjustments during the period. The increase in working capital primarily relates to a payment made to Boeing in 2007 in connection with Iridium s purchase of their right to receive distributions, which consequentially reduced its working capital for that period, as well as an increase in deferred revenue resulting from higher sales of its prepaid services and an increase in accounts payable due to the timing of payments to vendors. The increase in non-cash adjustments consists primarily of increases in depreciation and amortization and increases in other non-cash amortization and accretion.

Cash Flows Used in Investing Activities

Net cash used in investing activities for the 2009 Period decreased to $7.7 million from $13.9 million for the year ended December 31, 2008. This decrease was attributable primarily to lower capital costs related to equipment and software for Iridium s satellite and network operations, gateway and corporate systems, which were placed in service in 2008.

Iridium s capital expenditures consisted primarily of the hardware and software upgrades to maintain its ground infrastructure and a portion of the expenses related to the development of Iridium OpenPort. These also include upgrades to our billing system to enable customer billing of new products and services.

Net cash used in investing activities for the year ended December 31, 2008 decreased to $13.9 million from $19.8 million for the year ended December 31, 2007. This decrease was attributable primarily to lower development expenses related to Iridium s new high-speed data services, Iridium OpenPort.

Cash Flows Used in Financing Activities

Net cash used in financing activities for the 2009 Period decreased to $23.3 million from $44.8 million for the year ended December 31, 2008, primarily due to no cash distributions to its investors made in 2009 compared to $41.4 million in 2008, partially offset by $22.9 million of proceeds from the issuance of a convertible subordinated note to Greenhill & Co. Europe Holdings Limited, or Greenhill Europe, in 2008.

Net cash used in financing activities for the year ended December 31, 2008 increased to $44.8 million from $26.5 million for the year ended December 31, 2007. This increase was attributable due to $41.4 million in distributions to its investors, partially offset by $22.9 million of proceeds from the issuance of a convertible subordinated note to Greenhill Europe.

Contractual Obligations and Commitments

The following table summarizes our outstanding contractual obligations as of December 31, 2009:

Contractual Obligations:	Less than 1 Year	1-3 Years	3-5 Years	More Than 5 Years	Total
			(in millions)		
Operating lease obligations	$ 2.5	$ 6.3	$ 5.2	$ 8.2	$ 22.2
Unconditional purchase obligations (1)	71.0	105.6	92.4		269.0
Motorola payment obligations(2)	13.2				13.2
Deferred acquisition consideration(3)	4.6				4.6
Total	$ 91.3	$ 111.9	$ 97.6	$ 8.2	$ 309.0

(1) Unconditional purchase obligations include payments under our O&M Agreement with Boeing, our agreement with a supplier for the manufacturing of our devices and various commitments with other vendors. Certain amounts related to Iridium NEXT are not included as they are terminable or contingent upon the achievement of certain milestones, which may or may not be achieved. As a result, the minimum commitment cannot be determined.

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(2) The table above reflects obligations due on December 11, 2010 to Motorola pursuant to the transition services, products and asset agreement, or the TSA, by and among Motorola, Iridium Holdings and Iridium Satellite, and our Senior Subordinated Term Loan Agreement with Motorola, or the Note Agreement, which may be accelerated if the Acquisition constitutes a triggering event. In addition, we may be required to make an additional payment of cash if the Acquisition constitutes a triggering event, distribution event, change of control or other specified transaction under the TSA and Note Agreement. Any such payment is not reflected in the table above because it is uncertain whether we owe it or what the amount would be. Motorola has recently filed a complaint in Illinois state court seeking payment of some of these payments. For more information, see Legal Proceedings and Risk Factors Our agreements with Motorola contain potential payment provisions that may apply to the Acquisition; and Motorola has filed a complaint in Illinois state court seeking to compel us to make those payments.

(3) Certain former members of Iridium deferred their tax benefit payments related to the Acquisition until 2010. Payment was made to these former members in January 2010.

Off-Balance Sheet Transactions

We do not currently have, nor have we or Iridium had in the last three years, any relationships with unconsolidated entities or financial partnerships, such as entities referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Seasonality

Our results of operations have been subject to seasonal usage changes for commercial customers and our results will be affected by similar seasonality going forward. April through October are typically the peak months for commercial voice services revenue and related subscriber equipment sales. U.S. government revenue and commercial M2M revenue are less subject to seasonal usage changes.

Related Party Transactions

For a description of related party transactions, see Certain Relationships and Related Party Transactions and Director Independence.

Accounting Developments

In June 2009, the Financial Accounting Standards Board, or FASB, issued accounting guidance on financial reporting by companies involved with variable interest entities. The new guidance requires a company to perform an analysis to determine whether the company s variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, a company is required to assess whether it has implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity s economic performance. The new guidance also requires enhanced disclosures that provide more transparent information about a company s involvement with a variable interest entity. The new guidance is effective for us beginning with 2010. We have not yet determined the impact of the adoption of the new guidance on our financial position or results of operations.

In October 2009, the FASB issued Accounting Standards Update 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements, a consensus of the FASB Emerging Issues Task Force,* or ASU 2009-13. ASU 2009-13 amends existing accounting guidance for separating consideration in multiple-deliverable arrangements. ASU 2009-13 establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence if available, third-party evidence if vendor-specific evidence is not available, or the estimated selling price if neither vendor-specific evidence nor third-party evidence is available. ASU 2009-13 eliminates the residual method of allocation and requires that consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. The relative selling price method allocates any discount in the arrangement proportionately to each deliverable on the basis of each deliverable s selling price. ASU 2009-13 requires that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a stand-alone basis. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. We have not yet determined the impact of the adoption of ASU 2009-13 on our financial position or results of operations.

In October 2009, the FASB issued Accounting Standards Update 2009-14, *Software (Topic 985) Certain Revenue Arrangements That Include Software Elements, a consensus of the FASB Emerging Issues Task Force,* or ASU 2009-14. ASU 2009-14 changes the accounting for revenue arrangements that include both tangible products and software elements. Tangible products containing software components and non-software components, that function together to deliver the tangible product s essential functionality, are no longer within the scope of existing software revenue guidance. ASU 2009-14

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requires that hardware components of a tangible product containing software components always be excluded from the software revenue guidance, and provides guidance on how to determine which software, if any, relating to the tangible product also would be excluded from the scope of the software revenue guidance. ASU 2009-14 also requires that if software contained in the tangible product is essential to the tangible product s functionality, the software is excluded from the scope of the software revenue guidance. This exclusion includes essential software that is sold with or embedded within the tangible products essential software. ASU 2009-14 also provides guidance on how a vendor should allocate arrangement consideration to deliverables in an arrangement that include both tangible products and software. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with earlier adoption permitted. We have not yet determined the impact of the adoption of ASU 2009-14 on our financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We believe we do not face any material interest rate risk, foreign currency exchange risk, equity price risk or other market risk. Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The majority of this cash is swept nightly into a money market fund with a diversified portfolio. We perform credit evaluations of our customers financial condition and records reserves to provide for estimated credit losses. Accounts receivable are due from both domestic and international customers. We maintain our cash and cash equivalents with financial institutions with high credit ratings. We maintain deposits in federally insured financial institutions in excess of federally insured (FDIC) limits.

Item 8. Financial Statements and Supplementary Data

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Iridium Communications Inc.

We have audited the accompanying consolidated balance sheets of Iridium Communications Inc. as of December 31, 2009 and 2008, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income (loss), and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Iridium Communications Inc. at December 31, 2009 and 2008, and the consolidated results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 2 and 3 to the consolidated financial statements, the Company changed its method of accounting for business combinations with the adoption of the guidance originally issued in FASB Statement No. 141(R), *Business Combinations* (codified in FASB ASC Topic 805, *Business Combinations*) effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Iridium Communications Inc. s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 16, 2010, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

McLean, Virginia

March 16, 2010

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Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholder of GHL Acquisition Corp.

We have audited the accompanying statements of operations, changes in stockholder s equity and cash flows for the period from November 2, 2007 (Inception) to December 31, 2007 of Iridium Communications Inc., formerly known as GHL Acquisition Corp. (A Corporation in the Development Stage) (the Company). These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform and we did not perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of operations and cash flows for the period from November 2, 2007 (Inception) to December 31, 2007 of Iridium Communications Inc., formerly known as GHL Acquisition Corp. in conformity with United States generally accepted accounting principles.

/s/ Eisner LLP

New York, New York

March 28, 2008

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Iridium Communications Inc.

Consolidated Balance Sheets

(In thousands, except share and per share data)

	December 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 147,178	$ 129
Accounts receivable, net of allowance for doubtful accounts of $1,462 and $0, respectively	41,189	
Inventory	25,656	
Deferred tax assets	2,600	
Prepaid expenses and other current assets	4,433	14
Total current assets	221,056	143
Property and equipment, net	386,737	
Restricted cash	15,520	
Investments held in trust at broker, including accrued interest of $110		401,839
Deferred tax assets		1,168
Intangible assets, net	88,953	
Other assets	1,127	
Goodwill	95,439	
Total assets	$ 808,832	$ 403,150
Liabilities and stockholders equity		
Current liabilities:		
Accounts payable	$ 7,865	$
Accrued expenses and other current liabilities	30,893	1,611
Accrued compensation and employee benefits	6,489	
Deferred revenue	20,027	
Deferred acquisition consideration	4,636	
Deferred underwriter commissions		11,288
Total current liabilities	69,910	12,899
Accrued satellite operations and maintenance expense, net of current portion	15,300	
Deferred tax liabilities	94,999	
Other long-term liabilities	923	
Total liabilities	181,132	12,899
Commitments and contingencies		
Common stock subject to possible conversion		119,988
Stockholders equity:		
Preferred stock, $0.0001 par value, 2,000,000 shares authorized and none issued or outstanding		
Common stock, $0.001 par value 300,000,000 shares authorized and 70,247,701 and 48,500,000 issued and outstanding at December 31, 2009 and 2008, respectively	70	48
Additional paid-in capital	670,116	268,563
Retained (deficit) earnings	(42,508)	1,652
Accumulated other comprehensive income	22	
Total stockholders equity	627,700	270,263

Total liabilities and stockholders equity	$ 808,832	$ 403,150

See notes to consolidated financial statements

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Iridium Communications Inc.

Consolidated Statements of Operations

(In thousands, except per share amounts)

	Year Ended December 31, 2009	Year Ended December 31, 2008	For the Period from November 2, 2007 (Inception) to December 31, 2007
Revenue:			
Services:			
Government	$ 19,159	$	$
Commercial	39,537		
Subscriber equipment	17,293		
Total revenue	75,989		
Operating expenses:			
Cost of subscriber equipment sales	18,657		
Cost of services (exclusive of depreciation and amortization)	18,965		
Research and development	5,974		
Depreciation and amortization	21,513		
Selling, general and administrative	17,029	490	4
Transaction costs	6,163	2,102	
Total operating expenses	88,301	2,592	4
Operating loss	(12,312)	(2,592)	(4)
Other (expense) income:			
Change in fair value of warrants	(34,117)		
Interest expense	(355)		
Interest income and other income (expense), net	1,303	5,604	
Total other (expense) income	(33,169)	5,604	
(Loss) earnings before income tax (benefit) provision	(45,481)	3,012	(4)
Income tax (benefit) provision	(1,321)	1,356	
Net (loss) income	$ (44,160)	$ 1,656	$ (4)
Weighted average shares outstanding basic and diluted	53,964	43,268	11,500
(Loss) earnings per share basic and diluted	$ (0.82)	$ 0.04	$ (0.00)

See notes to consolidated financial statements

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Iridium Communications Inc.

Consolidated Statements of Changes in Stockholders Equity and Comprehensive Income (Loss)

For the Period from November 2, 2007 (Inception) to December 31, 2009

(In thousands, except share data)

	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated Retained	Total Stockholders	Comprehensive Income
	Shares	Amount	Capital	Income	(Deficit)	Equity	(Loss)
Balance at November 2, 2007 (Inception)		$	$	$	$	$	
Net proceeds from issuance of units	11,500,000	11	14			25	
Net loss					(4)	(4)	$ (4)
Balance at December 31, 2007	11,500,000	11	14		(4)	21	
Total for the year ended December 31, 2007							$ (4)
Net proceeds from initial public offering of units (excludes $119,988 of proceeds allocable to 11,999,999 shares of common stock subject to possible conversion)	40,000,000	40	260,546			260,586	
Proceeds from sale of stock purchase warrants			8,000			8,000	
Forfeiture of common stock	(3,000,000)	(3)	3				
Net income					1,656	1,656	$ 1,656
Balance at December 31, 2008	48,500,000	48	268,563		1,652	270,263	
Total for the year ended December 31, 2008							$ 1,656
Payment of deferred underwriters fees			6,982			6,982	
Purchase of stock purchase warrants			(1,828)			(1,828)	
Net proceeds from issuance of common stock	16,000,000	16	148,734			148,750	
Fair value of stock issued in Acquisition	29,443,500	29	333,419			333,448	
Purchase of common stock	(9,169,979)	(9)	28,298			28,289	
Purchase of common stock under forward purchase contracts	(16,325,196)	(16)	(164,868)			(164,884)	
Forfeitures of stock options and warrants	(1,441,176)	(1)	1				
			(28,555)			(28,555)	

Reclassification of warrants to derivative instruments							
Settlement of derivative instruments for warrants			47,110			47,110	
Settlement of derivative instruments for shares of common stock	1,244,923	1	12,448			12,449	
Stock-based compensation			436			436	
Stock issued upon conversion of subordinated convertible note	1,995,629	2	19,376			19,378	
Net loss					(44,160)	(44,160)	$ (44,160)
Cumulative translation adjustments				22		22	22
Balance at December 31, 2009	70,247,701	$ 70	$ 670,116	$ 22	$ (42,508)	$ 627,700	
Total for the year ended December 31, 2009							$ (44,138)

See notes to consolidated financial statements

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Iridium Communications Inc.

Consolidated Statements of Cash Flows

(In thousands, except share and per share data)

	Year Ended December 31, 2009	Year Ended December 31, 2008	For the Period from November 2, 2007 (Inception) to December 31, 2007
Cash flows from operating activities:			
Net (loss) income	$ (44,160)	$ 1,656	$ (4)
Adjustments to reconcile net income to net cash provided by operating activities:			
Non-cash items included in net income:			
Deferred taxes	(1,711)	(1,168)	
Change in market value of warrants	34,117		
Depreciation and amortization	21,513		
Stock-based compensation	436		
Changes in operating assets and liabilities:			
Accounts receivable, net	5,382		
Inventory	15,044		
Prepaid expenses and other current assets	(2,185)	(12)	
Income tax receivable		(3)	
Other noncurrent assets	35		
Accounts payable	3,584		
Accrued expenses and other current liabilities	(5,260)	1,613	4
Accrued compensation and employee benefits	(3,997)		
Deferred revenue	2,127		
Accrued satellite and network operations expense, net of current portion	(1,020)		
Other long-term liabilities	(737)		
Net cash provided by operating activities	23,168	2,086	
Cash flows from investing activities:			
Changes in investment in trust account	401,838	(401,838)	
Capital expenditures	(7,351)		
Cash paid for acquisition, net of cash acquired	(39,950)		
Net cash provided by (used in) investing activities	354,537	(401,838)	
Cash flows from financing activities:			
Proceeds from public offerings	149,600	400,000	
(Purchase) proceeds from issuance of private placement warrants	(4,940)	8,000	
Purchase of shares	(164,884)		
Purchase of shares for no-votes	(91,700)		
Payment of underwriting fee	(4,288)	(6,900)	
Payment of costs associated with offering	(850)	(1,147)	
Deferred offering costs			(91)
(Payment) proceeds from note payable to related party		(256)	250
Proceeds from sale of founder units			25
Payments under credit facility	(113,594)		

Net cash (used in) provided by financing activities	(230,656)	399,697	184
Net increase (decrease) in cash and cash equivalents	147,049	(55)	184
Cash and cash equivalents, beginning of period	129	184	
Cash and cash equivalents, end of period	$ 147,178	$ 129	$ 184
Supplemental cash flow information:			
Interest paid	$ 1,330	$ 6	$
Income taxes paid	$ 339	$ 2,527	$
Supplemental disclosure of non-cash investing activities:			
Shares issued for the acquisition of Iridium Holdings (29,443,500 shares at $11.325 per share)	$ 333,448	$	$
Accrual of additional consideration for acquisition of Iridium Holdings	$ 4,636	$	$
Property and equipment received but not paid for at year-end	$ 3,200	$	$
Supplemental disclosure of non-cash financing activities:			
Accrued deferred offering costs	$	$	$ 225
(Reversal) accrual of deferred underwriter commissions	$ (8,176)	$ 11,288	$
Conversion of subordinated convertible note to equity	$ (19,378)	$	$

See notes to consolidated financial statements

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Iridium Communications Inc.

Notes to Consolidated Financial Statements

December 31, 2009

1. Organization and Basis of Presentation

Iridium Communications Inc. (the Company) was formed as GHL Acquisition Corp., a special purpose acquisition company as further described below. The Company acquired, directly and indirectly, all the outstanding equity of Iridium Holdings LLC (Iridium Holdings and, together with its direct and indirect subsidiaries, Iridium) in a transaction accounted for as a purchase business combination on September 29, 2009 (the Acquisition). In accounting for the Acquisition, the Company was deemed the legal and accounting acquirer. On September 29, 2009, the Company changed its name to Iridium Communications Inc. For the purposes of presenting consolidated financial statements as of and for the year ended December 31, 2009, management has determined that the results of Iridium s operations for the one-day period from the closing of the Acquisition to September 30, 2009 was not material. Accordingly, the Company s consolidated statements of operations and cash flows for the year ended December 31, 2009 includes the Company s pre-Acquisition operations for the nine months ended September 30, 2009, which excludes any results of Iridium, and the Company s post-Acquisition operations for the three months ended December 31, 2009. The Company s consolidated statements of operations and cash flows for the year ended December 31, 2008 and for the period from November 2, 2007 (inception) to December 31, 2007 include solely the results of the Company s pre-Acquisition operations, and do not include any results of Iridium. The Company s consolidated balance sheet as of December 31, 2009 includes the assets and liabilities of the Company and of Iridium, as further described below. All significant intercompany accounts and transactions have been eliminated in consolidation.

Iridium is considered the predecessor of the Company and, accordingly, its historical financial statements are separately presented as predecessor financial statements.

The Company was formed on November 2, 2007 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination. All activity from November 2, 2007 (inception) through February 21, 2008 relates to the Company s formation and initial public offering. From February 21, 2008 through September 29, 2009, the Company s activities were limited to identifying prospective target businesses to acquire and with which to complete a business combination. On September 29, 2009, the Company consummated the Acquisition and, as a result, is no longer in the development stage.

Iridium Holdings was formed under the laws of Delaware in 2000 as a limited liability company pursuant to the Delaware Limited Liability Company Act. On December 11, 2000, Iridium Holdings acquired certain satellite communication assets from Iridium LLC, a non-affiliated debtor in possession, pursuant to an asset purchase agreement.

As a result of and subsequent to the Acquisition, the Company is a provider of mobile voice and data communications services via satellite. The Company holds various licenses and authorizations from the Federal Communications Commission (the FCC) and from international regulatory bodies that permit the Company to conduct its business, including the operation of its satellite constellation. The Company offers voice and data communications services and products to businesses, U.S. and international government agencies and other customers on a global basis.

2. Significant Accounting Policies and Basis of Presentation

Principles of Consolidation and Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP). The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries, and variable interest entities for which the Company is the primary beneficiary. All intercompany transactions and balances have been eliminated.

Reclassifications

Certain amounts presented as professional fees and other operating expenses in prior periods have been reclassified to selling, general and administrative and transaction costs to conform to the current year presentation. These reclassifications had no effect on the Company s net income for the years ended December 31, 2009 and 2008, and the period from November 2, 2007 (inception) to December 31, 2007.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Use of Estimates

The preparation of consolidated 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 reported amounts of income and expenses during the reporting period. Actual results could differ materially from those estimates.

Financial Instruments

The consolidated balance sheets include various financial instruments (primarily cash and cash equivalents, investments held in trust, restricted cash, accounts receivable, accounts payable, accrued expenses and other liabilities, and other obligations). Fair value is the price that would be received from the sale of an asset or paid to transfer a liability assuming an orderly transaction in the most advantageous market at the measurement date. U.S GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of observability of inputs used in measuring fair value. These tiers include:

Level 1, defined as observable inputs such as quoted prices in active markets for identical assets;

Level 2, defined as observable inputs other than Level 1 prices such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Additional information regarding fair value is disclosed in Note 13.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and receivables. The majority of this cash is swept nightly into a money market fund with a diversified portfolio. The Company performs credit evaluations of its customers financial condition and records reserves to provide for estimated credit losses. Accounts receivable are due from both domestic and international customers (see Note 12). The Company maintains its cash and cash equivalents with financial institutions with high credit ratings, although at times the Company maintains deposits in federally insured financial institutions in excess of federally insured (FDIC) limits.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The cash and cash equivalents balances at December 31, 2009 and 2008 consisted of cash deposited in institutional money market mutual funds and regular interest bearing and non-interest bearing depository accounts and certificates of deposits with commercial banks.

Restricted Cash

Restricted cash of $15.5 million as of December 31, 2009, primarily relates to a letter of credit as collateral for de-orbit costs.

Accounts Receivable

Trade accounts receivable are generally recorded at the invoiced amount and are subject to late fee penalties. The Company had $1.5 million in its allowance for doubtful accounts at December 31, 2009. Management develops its estimate of this allowance based on the Company s experience with specific customers, aging of outstanding invoices, its understanding of their current economic circumstances and its own judgment as to the likelihood that the Company will ultimately receive payment. The Company writes off its accounts receivable when balances are deemed uncollectible.

Foreign Currencies

The functional currency of the Company s foreign consolidated subsidiaries is their local currency. Assets and liabilities of its foreign subsidiaries are translated to United States dollars based on exchange rates at the end of the reporting period. Income and expense items are translated at the weighted average exchange rates prevailing during the reporting period. Translation adjustments are accumulated in a separate component of stockholders equity. Transaction gains or losses are classified as Interest income and other income (expense), net in the consolidated statements of operations.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Inventory

Inventory consists primarily of finished goods including Iridium OpenPort terminals, handsets, L-Band transceivers, data devices, related accessories, and replacement parts to be sold to customers to access Company services. The Company also has raw materials from third-party manufacturers (see Note 10). The Company outsources manufacturing of subscriber equipment primarily to a third-party manufacturer and purchases accessories from third-party suppliers. The Company s cost of inventory includes an allocation of overhead (including salaries and benefits of employees directly involved in bringing inventory to its existing condition, scrap, tooling and freight). Inventories are valued using the average cost method, and are carried at the lower of cost or market.

Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation at fair value; accordingly the Company expenses the estimated fair value of stock-based awards made in exchange for employee services over the requisite employee service period. Stock-based compensation cost is determined at the grant date using the Black-Scholes option pricing model. The value of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the employee s requisite service period and is classified in the statement of operations in a manner consistent with the statement of operations classification of the employee s salaries and other compensation as follows:

	Year Ended December 31, 2009 (In thousands)
Cost of services (exclusive of depreciation and amortization)	$ 26
Selling, general and administrative	410
	$ 436

Property and Equipment

Property and equipment is carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Satellite system	14 years
Terrestrial system	7 years
Equipment	3 5 years
Gateway system	5 years
Internally developed software and purchased software	3 7 years
Building	39 years
Leasehold improvements	shorter of useful life or remaining lease term

Repairs and maintenance costs are expensed as incurred.

Long-Lived Assets

The Company assesses the impairment of long-lived assets when indicators of impairment are present. Recoverability of assets is measured by comparing the carrying amounts of the assets to the future undiscounted cash flows expected to be generated by the assets. Any impairment loss

would be measured as the excess of the assets carrying amount over their fair value. Fair value is based on market prices where available, an estimate of market value or various valuation techniques.

Goodwill and Other Intangible Assets

Goodwill

Goodwill is the excess of the acquisition cost of businesses over the fair value of the identifiable net assets acquired. Impairment testing for goodwill is performed annually or more frequently if indicators of potential impairment exist. If the fair value of goodwill is less than the carrying amount of goodwill, an impairment loss is recognized.

Intangible Assets Not Subject to Amortization

A significant portion of the Company s intangible assets are spectrum and licenses, and trade names which are indefinite-lived intangible assets. The Company reevaluates the useful life determination for these assets each reporting period to determine whether events and circumstances continue to support an indefinite useful life. The Company tests its indefinite-lived intangible assets for potential impairment annually or more frequently if indicators of impairment exist. If the fair value of the indefinite-lived asset is less than the carrying amount, an impairment loss is recognized.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Intangible Assets Subject to Amortization

The Company s intangible assets that do have finite lives (primarily customer relationships government and commercial, core developed technology and software) are amortized over their useful lives and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If any indicators were present, the Company would test for recoverability by comparing the carrying amount of the asset to the net undiscounted cash flows expected to be generated from the asset. If those net undiscounted cash flows do not exceed the carrying amount (i.e., the asset is not recoverable), the Company would perform the next step, which is to determine the fair value of the asset and record an impairment loss, if any. The Company reevaluates the useful lives for these intangible assets each reporting period to determine whether events and circumstances warrant a revision in their remaining useful lives.

Asset Retirement Obligations

Liabilities arising from legal obligations associated with the retirement of long-lived assets are required to be measured at fair value and recorded as a liability. Upon initial recognition of a liability for retirement obligations, a company must record an asset, which is depreciated over the life of the asset to be retired.

Under certain circumstances, each of the U.S. government, The Boeing Company (Boeing) and Motorola, Inc. (Motorola) has the unilateral right to require the de-orbit of the Company s satellite constellation. In the event the Company was required to effect a mass de-orbit, the Company, pursuant to the amended and restated operations and maintenance agreement by and between Iridium Constellation LLC (Iridium Constellation) and Boeing (the O&M Agreement), would be required to pay Boeing $16.0 million, plus an amount equivalent to the premium for inception of Section B de-orbit insurance coverage ($2.5 million as of December 31, 2009). The Company has concluded that each of the foregoing de-orbit rights meets the definition of a legal obligation and currently does not believe the U.S. government, Boeing or Motorola will exercise their respective de-orbit rights. As a result, the Company believes the likelihood of any future cash outflows associated with the mass de-orbit obligation is remote. Accordingly, the Company has not recorded an asset retirement obligation relating to the potential de-orbit rights in its consolidated balance sheet.

There are other circumstances in which the Company could be required, either by the U.S. government or for technical reasons, to de-orbit an individual satellite; however, the Company believes that such costs would not be significant relative to the costs associated with the ordinary operations of the satellite constellation.

Revenue Recognition

The Company derives its revenue primarily as a wholesaler of satellite communications products and services. The primary types of revenue include (i) services revenue (access and usage-based airtime fees) and (ii) subscriber equipment revenue. Additionally, the Company generates revenue by providing engineering and support services to commercial and government customers.

Wholesaler of satellite communications products and services

Pursuant to wholesale agreements, the Company sells its products and services to service providers who, in turn, sell the products and services to other distributors or directly to the end-users. Generally, the Company recognizes revenue when services are performed or delivery has occurred, evidence of an arrangement exists, the fee is fixed or determinable, and collection is probable, as follows:

Contracts with multiple elements

At times, the Company sells subscriber equipment through multi-element contracts that bundle subscriber equipment with airtime services. When the Company sells subscriber equipment and airtime services in bundled arrangements that include guaranteed minimum orders and determines that it has separate units of accounting, the Company allocates the bundled contract price among the various contract deliverables

based on each deliverable s relative fair value. The Company determines vendor specific objective evidence of fair value by assessing sales prices of subscriber equipment and airtime services when they are sold to customers on a stand-alone basis.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Services revenue sold on a stand-alone basis

Services revenue is generated from the Company s service providers through usage of its satellite system and through fixed monthly access fees per user charged to service providers. Revenue for usage is recognized when usage occurs. Revenue for fixed-per-user access fees is recognized ratably over the period in which the services are provided to the end-user. Revenue from prepaid services is recognized when usage occurs or, if not used, when the customer s right to access the unused prepaid services expires. The Company does not offer refund privileges for unused prepaid services. Deferred prepaid services revenue and access fees are typically earned and recognized as income within one year of customer prepayment. Based on historical information for prepaid scratch card services that do not have an initial expiration date, the Company records breakage associated with prepaid scratch card account balances for which the likelihood of redemption is remote, which is generally determined after 36 months from issuance.

Subscriber equipment sold on a stand-alone basis

The Company recognizes subscriber equipment sales and the related costs when title to the equipment (and the risks and rewards of ownership) passes to the customer, typically upon shipment.

Services and subscriber equipment sold to the U.S. government

The Company provides airtime to U.S. government subscribers through (i) fixed monthly fees on a per user basis for unlimited voice services, (ii) fixed monthly fees per user for unlimited paging services and (iii) a tiered pricing plan (based on usage) per device for data services. Revenue related to these services is recognized ratably over the periods in which the services are provided, and costs are expensed as incurred. The U.S. government purchases its equipment from third-party service providers and not directly from the Company.

Government engineering and support services

The Company provides maintenance services to the U.S. government s dedicated gateway in Hawaii. This revenue is recognized ratably over the periods in which the services are provided; costs are expensed as incurred.

Other government and commercial engineering and support services

The Company also provides certain engineering services to assist customers in developing new technologies for use on the Company s satellite system. The revenue associated with these services is recorded when the services are rendered, typically on a percentage of completion method of accounting based on the Company s estimate of total costs expected to complete the contract, and costs are expensed as incurred. Revenue on cost-plus-fixed-fee contracts is recognized to the extent of estimated costs incurred plus the applicable fees earned. The Company considers fixed fees under cost-plus-fixed-fee contracts to be earned in proportion to the allowable costs incurred in performance of the contract.

Warranty Expense

The Company generally provides its customers a warranty on subscriber equipment for one to two years from the date of activation, depending on the product. A warranty accrual is made when it is estimable and probable that a loss has been incurred. A warranty reserve is maintained based on historical experience of warranty costs and expected occurrences of warranty claims on equipment. Costs associated with warranties are recorded as cost of subscriber equipment sales and include equipment replacements, repairs and program administration.

	Year Ended December 31, 2009

	(In thousands)
Balance at beginning of the year	$
Provision assumed from Acquisition	(661)
Provision	(185)
Utilization	120
Balance at end of the year	$ (726)

Research and Development

Research and development costs are charged as an expense in the period in which they are incurred.

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Iridium Communications Inc.

Notes to Consolidated Financial Statements (Continued)

December 31, 2009

Advertising Costs

Costs associated with advertising and promotions are expensed as incurred. Advertising expenses were $0.3 million for the year ended December 31, 2009. There were no such costs in the year ended December 31, 2008 or for the period from November 2, 2007 (inception) to December 31, 2007.

Income Taxes

The Company accounts for income taxes using the asset and liability approach, which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax basis of its assets and liabilities. A valuation allowance is established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company also recognizes a tax benefit from uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. The Company s policy is to recognize interest and penalties on uncertain tax positions as a component of income tax expense.

Earnings Per Share

The Company calculates basic earnings (loss) per share by dividing net income (loss) by the weighted-average number of shares of Common Stock outstanding during the period. Diluted earnings (loss) per share takes into account the effects of potential dilutive common shares when they are dilutive. Potential dilutive common shares consisting of common stock issuable upon exercise of outstanding stock options and warrants are computed using the treasury stock method.

Accounting Developments

In December 2007, the Financial Accounting Standards Board (FASB) issued accounting guidance on business combinations that requires the acquiring entity to record all assets acquired and liabilities assumed at their respective acquisition-date fair values, changes the recognition of assets acquired and liabilities assumed arising from contingencies, changes the recognition and measurement of contingent consideration, and requires the expensing of acquisition-related costs as incurred. The accounting guidance also requires additional disclosure of information surrounding a business combination, such that users of the entity s financial statements can fully understand the nature and financial impact of the business combination. The Company adopted the accounting guidance for business acquisitions effective January 1, 2009.

In August 2009, the FASB issued Accounting Standards Update 2009-05, Fair Value Measurements and Disclosures (Topic 820) Measuring Liabilities at Fair Value (ASU 2009-05). ASU 2009-05 clarifies that in circumstances in which a quoted market price in an active market for the identical liability is not available; a reporting entity is required to measure fair value using one of several acceptable valuation techniques. ASU 2009-05 also clarifies (i) that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustments to other inputs relating the existence of a restriction that prevents the transfer of the liability and (ii) that both a quoted price in an active market for the identical liability at the measurement date and the quoted price for the identical liability when traded as an asset in an active market when no adjustments to the quoted price of the asset are required are Level 1 fair value measurements. ASU 2009-05 is effective in the fourth quarter of 2009. The Company adopted ASU 2009-05 in the fourth quarter of 2009 with no material impact on its financial position or results of operations.

3. Business Combination

On September 22, 2008, the Company entered into a transaction agreement, as amended on April 28, 2009 (the Transaction Agreement), with Iridium Holdings and its members whereby it agreed to purchase, directly or indirectly, all of the outstanding equity of Iridium Holdings. The Acquisition closed on September 29, 2009. For the purpose of acquisition accounting, total consideration of approximately $436.0 million included 29.4 million shares of the Company s common stock (Common Stock) valued at $333.4 million and $102.6 million in cash (which included a requirement to make a payment of $25.5 million in cash to some of the former members of Iridium Holdings for tax benefits the

Company received, payable on December 29, 2009). At December 31, 2009, approximately $4.6 million of such future tax benefit cash payment was still an outstanding payable to certain former members of Iridium Holdings who deferred the payments until 2010. This amount was paid in January 2010. The Company accounted for its business combination with Iridium Holdings by recording all assets acquired and liabilities assumed at their respective fair values on the date of Acquisition. The Company recognized deferred tax assets and liabilities for the tax effects of the differences between assigned book values and tax bases of assets acquired and liabilities assumed in the Acquisition. As a result, the Company recorded a net deferred tax asset current of $3.0 million and a net deferred tax liability non-current of $98.2 million.

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The fair value was based on the market price of the Company s Common Stock on September 29, 2009. The total consideration for Iridium Holdings was $436.0 million, as follows:

	(In thousands)
Cash	$ 77,100
Equity	333,448
Cash related to tax benefit	25,500
Total	$ 436,048

After the September 30, 2009 financial statements were issued, the Company received and relied in part on a valuation report from a third-party valuation firm. After considering the results of that valuation report and further analysis, the Company has retrospectively updated the estimated fair value of the assets and liabilities assumed in the Acquisition on September 29, 2009. The fair values are based on the Company s estimates and may be further adjusted from time to time but no later than September 29, 2010, as better information becomes available. The following represents the allocation of the purchase price:

	Estimated Fair Value	
	As Reported on September 30, 2009	As of December 31, 2009
	(In thousands)	
Assets:		
Cash and cash equivalents	$ 58,015	$ 58,015
Restricted cash	15,520	15,520
Accounts receivable	46,571	46,571
Other current assets	2,236	2,236
Inventory	32,045	40,700
Property and equipment	394,709	394,800
Intangible assets	87,758	91,852
Goodwill	75,464	95,439
Deferred tax assets	3,781	2,972
Other assets	1,161	1,162
Total assets	717,260	749,267
Liabilities:		
Accounts payable	4,281	4,281
Accrued liabilities	42,686	37,917
Deferred revenue	10,593	17,900
Accrued satellite operations and maintenance	15,218	20,400
Credit facility	113,593	113,594
Convertible subordinated note	16,723	19,300
Deferred tax liabilities	75,879	98,249
Other liabilities	2,239	1,578

Total liabilities	281,212	313,219
Net assets acquired	$ 436,048	$ 436,048

Property and Equipment. Property and equipment acquired in the Acquisition is depreciated using the straight-line method as follows:

	Estimated Fair Value (In thousands)	Useful Lives
Depreciable assets:		
Satellite system	$ 333,450	5 years
Terrestrial system	3,963	5 years
Equipment	10,349	1 5 years
Gateway system	2,568	5 years
Internally developed software and purchased software	1,043	1 year
Building	20,021	39 years
Building improvements	2,408	5 years
Leasehold improvements	2,446	6.5 years
Total	$ 376,248	
Additional asset categories not included above:		
Construction in progress	10,608	
Land	7,944	
Total	$ 394,800	

Goodwill. The total consideration paid in the Acquisition exceeded the estimated fair value of the tangible and identifiable intangible assets acquired and liabilities assumed, resulting in approximately $95.4 million of goodwill.

Pre-Acquisition Contingency. Iridium had certain contractual contingencies under agreements in effect as of the date of the Acquisition that the Company has recorded at their estimated fair value at the time of the Acquisition. Some of the contingencies relate to potential payments pursuant to the occurrence of a distribution event, change of control or other specified transactions, and other matters. The Company believes that it is unclear whether the foregoing provisions were intended to apply to a similar transaction such as the Acquisition (see Note 6). The estimated fair value of the pre-Acquisition contractual contingencies at the date of the Acquisition was $11.7 million and was reflected as a liability in the consolidated balance sheet on the Acquisition date.

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Transaction Costs

An acquirer is required to recognize as expense the direct costs of a business combination in the period in which the expense is incurred. Accordingly, the Company has been expensing Acquisition-related costs as they have been incurred during the pre-Acquisition periods presented. The Company incurred a total of approximately $8.3 million of Acquisition-related costs, including $6.2 million in 2009.

Revenue and Loss of Iridium

The amount of revenue and loss of Iridium included in the Company s consolidated statement of operations for the period from the date of the Acquisition to December 31, 2009 are as follows (in thousands):

Revenue	$ 75,989
Net loss	$ (4,749)

Pro Forma Information (Unaudited)

The following table contains unaudited pro forma consolidated statements of operations information of the Company for years ended December 31, 2009 and 2008 as if the Acquisition had occurred as of January 1, 2009 and January 1, 2008, respectively:

	For the Year Ended December 31,	
	2009	2008
	(In thousands, except per share amounts)	
Total revenue	$ 320,616	$ 320,944
Net income	$ (38,986)	$ (8,367)
Basic and diluted net loss per common share	$ (0.57)	$ (0.12)
Weighted average shares outstanding basic and diluted	68,252	68,252

The pro forma information may not be indicative of the results of operations that would have actually occurred had the Acquisition occurred as presented. Also, future results may vary significantly from the results reflected in such pro forma information.

4. Equity Transactions

2007 Private Unit Offering

In November 2007, the Company issued 11.5 million units for an aggregate purchase price of $25,000 to its founding stockholder. Each unit consisted of one share of Common Stock and one Common Stock purchase warrant. Each warrant entitled the holder to purchase from the Company one share of Common Stock at a price of $7.50 per share commencing on the later of the completion of a Business Combination (as defined in the warrant agreements) or 12 months from the effective date of a Public Offering (as defined in the warrant agreements), subject to certain conditions, and expiring five years from the effective date of the Public Offering or earlier upon redemption or liquidation of the Company s trust account established in connection with a Public Offering (the Trust Account).

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