

— PARTICIPANTS

Corporate Participants

Steve E. Kunszabo – Head-Investor Relations
Matthew J. Desch – Chief Executive Officer & Director
Thomas J. Fitzpatrick – Chief Financial Officer

Other Participants

James D. Breen – Analyst, William Blair & Co. LLC
Jonathan Atkin – Analyst, RBC Capital Markets Equity Research
Jim P. McIlree – Analyst, Dominick & Dominick Securities
Chris D. Quilty – Analyst, Raymond James & Associates
Christopher C. King – Analyst, Stifel, Nicolaus & Co., Inc.
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Brian William Ruttenbur – Analyst, CRT Capital Group LLC

— MANAGEMENT DISCUSSION SECTION

Operator: Good day, ladies and gentlemen, and welcome to the Iridium First Quarter 2012 Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will conduct a question-and-answer session and instructions will follow at that time. [Operator Instructions] As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Steve Kunszabo, Head of Investor Relations. You may begin.

Steve E. Kunszabo, Head-Investor Relations

Good morning and thanks for joining us. I'd like to welcome you to our first quarter 2012 earnings call. Joining me on the call this morning are CEO, Matt Desch; and our CFO, Tom Fitzpatrick. Today's call will begin with a discussion of the 2012 first quarter results followed by Q&A. I trust you've had an opportunity to review this morning's earnings release, which is available on the Investor Relations section of Iridium's website.

Before I turn things over to Matt, I'd like to caution all participants that our call this morning may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical facts and include statements about our future expectations, plans and prospects. Such forward-looking statements are based upon our current beliefs and expectations and are subject to risks which could cause actual results to differ from the forward-looking statements.

Such risks are more fully discussed in our filings with the Securities and Exchange Commission. Our remarks today should be considered in light of such risks. Any forward-looking statements represent our views only as of today and while we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so even if our expectations or views change.

During the call, we'll also be referring to certain non-GAAP financial measures. These non-GAAP financial measures are not prepared in accordance with generally accepted accounting principles.

Please refer to today's earnings release and the Investor Relations section of our website for a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures.

With that, let me turn things over to Matt.

Matthew J. Desch, Chief Executive Officer & Director

Thanks, Steve, and good morning, everyone. Thanks for joining us. This morning, we announced first quarter numbers that showed we're off to a solid start for the year and tracking towards our full year 2012 financial targets. I'll spend my time with you today outlining key competitive changes to our markets, taking you through our strategic initiatives and updating you on the progress of our Iridium NEXT build and hosted payload opportunity. Then Tom will take you through our financial results and guidance before we wrap up.

Let me start by immediately addressing the product recall we had last week for our Iridium Extreme phone, which had impacted our first quarter financials. The bottom line is that the technical problem with the unit's antenna is understood and has been corrected. Our customers' handsets will be exchanged by the end of the second quarter and we don't believe this issue will affect our equipment sales for the full year. Now Iridium Extreme is a great product and our partners continue to tell us that their customers love the device. And while I'm obviously disappointed we had this issue, I think we've addressed it appropriately and we'll have it behind us quickly.

So back to our business and continued growth. The core principles that set our business strategy apart and sustain our many competitive advantages still stand. We like our markets, and aside from what we believe is a temporary slowdown in the government voice business, they all continue to grow rapidly. Our current network is performing well, remains healthy and thanks to its flexible design is expected to stay that way to our Iridium NEXT launch. We have a great partner ecosystem that continues to innovate around our products and extend our reach to customers in a low-cost way. High margin, recurring service revenue represented 72% of our total revenue during the first quarter, all of which leads to consistent operating cash flow growth.

Two of the most important keys to our ongoing success; allowing a diverse revenue profile and a robust suite of products. We're not defined by a single market. Our business doesn't turn on a revenue stream from this one or two core services.

Let me reinforce a few examples of what differentiates Iridium from the rest of the mobile satellite services sector. We compete in five vertical markets at least three of which are predicted to have double-digit growth rates over the next several years. 42% of our total service revenue in the first quarter came from data services and we're particularly well positioned to grow in this area given the unique things our devices and network can do. We have a comprehensive strategy in the handset business that includes several full-feature devices and a Wi-Fi hotspot accessory. We'll soon launch our third generation M2M device, which will enable further innovation in this space.

We're integrating Iridium technology to low-cost commercial chipsets that our partners are planning to embed in even more devices and are packaging our radio technology into a software-based interface or wave form for tactical military radios. And of course, we have a strategic relationship with the U.S. government and offer them a suite of products to a secure dedicated gateway that would be difficult for anyone to match.

I've heard Iridium described in many different ways over the years, and the truth is we're all of these great things. We are a voice company and a data company. We serve not just the land-based handset market but aviation, maritime and M2M segments. We're an important player in the defense sector and serve commercial customers and industries ranging from energy to

transportation. This diversity is the essence of what makes us successful. And as a CEO with many years spent in telecom business development, I really appreciate the quality of our revenue profile. It certainly beats having your portions tied to just one or two markets in a thin commoditized product portfolio.

So in our commercial business, a few important trends jump out of me that I'd like to share. In the M2M business, we've now reported our sixth consecutive quarter of approximately 50% year-over-year subscriber growth and revenue wasn't far behind that with a 45% gain. Our strong growth here actually goes back much further, but six quarters is how long we've reported specifically on this market and we really don't see anything stopping us here.

More partners are developing more applications for our market that's in its infancy when you consider device penetration. There are still many millions of containers, tractors, trucks and other assets that organizations want to monitor and track. And we'll soon launch our lighter and even smaller third-generation 9603 transceiver, which is just one more device for our partners to customize their solutions around.

Competitive disruption and change has been the big news in the maritime space these last few months, much of which we see benefiting Iridium. First, we're seeing strong partner interest for our recently launched second-generation maritime broadband platform, Iridium Pilot. As I've discussed before, we made a number of enhancements to its durability and technology based on customer feedback and the early reception has been great. In fact, our order book for Iridium Pilot reached 60% of our full year 2012 target in the first quarter.

On the pricing front, we've held steady as the low-cost value provider, while the competition has actually raised its prices to recapture lost revenue from customers who migrated elsewhere. This move has really angered their customer base, who are now increasingly looking at alternatives such as Iridium.

We've also expanded our partnerships with leading VSAT operators such as KVH and Vizada, which grows our addressable market by a couple of thousand vessels. We expect healthy sales on our own steam in the value segment of the maritime market and are happy to also go on board with VSAT platforms as a truly global complementary system or dedicated crew communication service. It's all part of the broader strategy to expand our market share in this space with a value-oriented broadband offering.

Lastly and perhaps most importantly, I think it's become apparent that we're not competing with our partners to a direct sales channel that takes profitability out of their hands. In my view creating a direct channel is expensive, curtails the reach and stifles innovation. We're already seeing the benefits of more partners wanting to do more business with us in the maritime sector.

Iridium OpenPort as a broadband service for maritime and aviation is becoming a more significant leg of our sales now representing a full 10% of our commercial service revenue. And when we spend much of our time discussing the maritime side of this business, we've also had success in the aviation piece with our technology partner LiveTV, a subsidiary of JetBlue. We're starting to see wins in the commercial aviation sector and combined with our recent authorization for aviation safety services, are bullish about our prospects in the space. In some ways, we have even better competitive dynamics in aviation than we do in maritime as our systems are typically far less expensive than the alternatives and a truly global services importance to long-haul aircraft that often traverse over the poles.

As for our voice business, we continued to perform well in the first quarter with 13% subscriber and 8% revenue growth respectively over the year-ago period. As I mentioned before, while we don't believe we will have a full year impact, we did experience a short-term and manageable issue with the production of our new handset in mid April. We've since implemented a solution for the problem

and have taken corrective actions to replace the affected units, while also fulfilling new orders. Again, we don't see any change to our outlook for unit sales or equipment revenue as a result to this issue in considering our prospects for 2012.

Turning now to our government operation, which we're confident will be a contributor to our long-term growth. I can't emphasize enough the strategic nature of our relationship with this anchor customer and why we continue to believe our differentiator offering and products that will be supportive of a long-term partnership. As we announced, the Department of Defense recently exercised the option for its fifth of five contract years. The current agreement takes us through March 2013 and we look forward to working with them on a new long-term contract soon.

The U.S. government also continues to spend with us on a multi-year modernization plan for its dedicated gateway. We expect follow-on investment in this area through 2015, as the DOD upgrades the capabilities of its dedicated infrastructure to become Iridium NEXT ready.

Overall the feedback from senior civilian and military leadership, as well as soldiers in the field, continues to validate the critical nature of the services we offer, and it's much more now than just the traditional handset. And M2M data subscribers continue to grow at a healthy 33% year-over-year rate, and we saw Netted activations tick back up in March with a few hundred new customers. We still expect our trend line for government Netted subscribers to be choppy in 2012. These customers wait for additional features to be introduced on what's called Phase III of this program.

As I mentioned before, we also continue to develop and test the software waveform for military tactical radios, another example of innovation that we expect will allow us to meaningfully expand our relationship going forward and drive future revenue growth.

Moving finally to our Iridium NEXT and hosted payloads progress, we're well-underway in the detail of hardware and software design phase with the new satellite system, which will culminate in a number of critical design reviews within the next year or so. Fairly soon, Thales Alenia Space and the rest of what we call the Iridium NEXT Mission Team will be building prototypes to the key elements and really put in the design to its spaces.

We've also begun replacing our 27 earth terminals for our gateways and telemetry facilities around the world as part of the upgrade program for our ground infrastructure, a process that will continue to 2014. We're still on track to begin deploying NEXT in early 2015.

As for our hosted payloads opportunity, we still plan to announce the details of our primary mission in June and we remain primarily focused on forming a global aviation monitoring business with strategic partners. To recap it again for you, Iridium will deploy a payload that monitors aircraft positions all over the world. The global aviation monitoring business would supply that information in near real-time for a fee to air navigation service providers such as the FAA and Nav Canada.

While we initially thought our hosted payload missions would be more like straightforward real estate transactions, we currently envision this endeavor as having elements of the real estate structure we contemplated, but with the added benefit of offering Iridium a retained interest in what should be a valuable and durable enterprise.

We've been through the value proposition with you a few times now: the ability to control commercial aircraft in large parts of the world where you can't today, billions of dollars in fuel savings, operational efficiencies for airlines, reduced emission and improved safety. The business case to provide this service remains very attractive. We're still doing system engineering work alongside our technical partners to develop the payload and are making steady progress in working out business model. We also remain deeply engaged with the FAA and other air navigation service providers around the globe, whose support plays a critical role and we've been encouraged by our interactions with all of them to date.

So in closing, the fundamentals of our business strategy are intact and we continue to expand our footprint in innovating all of our key markets. We're seeing solid growth across much of the business and are off to a good start in 2012. We look forward to speaking with you again soon when we make our hosted payload announcement.

So with that, I'll turn it over to Tom for a more detailed financial review.

Thomas J. Fitzpatrick, Chief Financial Officer

Thanks, Matt, and good morning, everyone. We reported first quarter 2012 results that were in line with our expectations and demonstrated continued progress in several key areas. I also share Matt's assessment that the quality of our service revenue profile and expanding service portfolio are the keys to our ongoing success. I think of that in these simple terms, we're the only company in our space developing a third-generation M2M device that works everywhere in the world, with a network that's particularly well-suited for this type of data traffic. We stand out in the voice business with advanced handsets and a multi-device strategy that includes personal communicators and accessories.

We're the only business developing and testing a global push-to-talk capability for our U.S. government customer to ultimately leverage for additional service revenue in the commercial business. We're the only truly global near real-time option for the aviation community in monitoring aircraft over oceans and remote regions, a key competitive advantage that really excites us as we continue to develop the business model through this hosted payload opportunity.

As I said before, it's meaningful to me to be part of an innovative company that delivers cutting-edge solutions. We're making commerce possible all over the world and in some cases saving lives and supporting national security objectives. We're going to our results now before I take you through our firm 2012 outlook.

Iridium reported first quarter total revenue of \$93.5 million and operational EBITDA of \$43.9 million, representing growth of 2% in both cases from last year's comparable period. Our operational EBITDA margin was 47% for the first quarter, which was unchanged from the year-ago period. First quarter net income was \$12.4 million. This compares to net income of \$8.3 million for the year-ago quarter. First quarter 2012 net income benefited from a favorable change in Arizona tax law that was enacted during the period.

From an operating viewpoint, we reported commercial service revenue of \$51.1 million in the first quarter yielding 13% growth over last year. We added 21,000 net commercial customers during the quarter, a 24% year-over-year increase in subscriber additions. We had a total of 496,000 billable subscribers with approximately 15,000 of these net additions coming from the machine-to-machine business and 6,000 from the voice market. Commercial M2M data subscribers now represent 37% of billable commercial subscribers, an increase from 31% during the year-ago period.

In the Voice business, the competitive landscape continues to move in our favor. After unsuccessful attempts to take a bite out of our market share in the traditional handset business, one of our competitors has retreated in significantly hyped its prices. This only serves to give us more flexibility as we grow our leading position. Global coverage and advanced phones that work on demand are what matter most to our customers.

The maritime market has also taken some interesting turns these last several months. As you may have heard in the industry press, the market really seems to support our strategy of not competing with partners for customer business and not raising prices abruptly in the midst of the busiest season for this sector.

We had many discussions in the last several months with our partners, all of which suggest that we're poised to get more of their business as a result of this disruptive activity from our closest competitor. We allow our partners to innovate around our technology and keep steady margins in their business, while expanding our addressable market to many more vessels. This is a win for both us as our open port service represents 10% of our commercial service revenue, and it's still growing rapidly.

Turning now to our government service business, during the first quarter, we recorded government service revenue of \$15.7 million, down 1% from last year's comparable period. We lost a thousand government voice customers during the quarter, but grew M2M data subscribers 33% over last year. We ended the period with a total of 48,000 billable subscribers with M2M data subscribers now accounting for 25% of the installed base.

In building on few of these key points, we believe reliance on our Iridium product and services will only grow as the U.S. recalibrates its armed forces to be more contingency oriented. This realignment plays to Iridium's strength. When soldiers have to be deployed rapidly to all corners of the globe, they need a product that is rugged, has no setup time, can be easily carried and works anywhere. While the traditional voice market is facing headwinds as we thought it would, Netted Iridium is poised to rebound once the additional enhancements associated with Phase III of this program are rolled out. We continue to test global push-to-talk capabilities as part of this product evolution and expect this will more fully contribute to our service revenue growth and we look ahead to 2013.

Focusing next on equipment, which produced revenue of \$21.5 million, a 12% year-over-year decline, resulting from a 20% drop enhanced at unit sales. We anticipated this tough comparison for our year-over-year results as last year's first quarter was positively impacted by both customer orders due to favorable price incentives. I'll add that our M2M unit sales remained healthy during the first quarter growing 29% year-over-year.

As Matt described, we also booked a \$1.2 million warranty charge in the period related to a production issue with our Iridium Extreme handset. Because we address these matters so quickly and considering all of the other moving parts, we still expect that our operational EBITDA contribution from equipment sales for 2012 will be similar to 2011.

Moving now to our financial and operating outlook for 2012, which we affirmed this morning, we continue to expect operational EBITDA between \$210 million and \$220 million for the full year 2012, which the midpoint of the guidance range would be 13% growth when compared to the \$190 million we achieved in 2011.

On the same basis for the full year 2012, we affirmed the following: total billable subscriber growth between 20% and 25% and total service revenue growth between 8% and 11%. And finally, an update on our capital structure and liquidity position, as of the end of the first quarter, we had drawn \$441.1 million from the Coface Facility relating to payments we've made to Thales for their successful completion, contractual milestones for Iridium NEXT. We had a cash and cash equivalents balance of approximately \$146.9 million.

In wrapping up my thoughts, we're off to a good start in 2012 for our commercial business and continue to expect that our government customer contributes to our long-term growth. We're pleased by the strength of our competitive position in the handset and maritime markets and really don't see anything that slows down our excellent performance in the M2M business. We're making nice progress on our global aviation monitoring hosted payload opportunity and expect to have those details for you in the next couple of months.

With that, I'll turn things back to the operator for the Q&A portion of this morning's call.

corrected transcript

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question is from James Breen of William Blair. Your line is open.

<Q – Jim Breen – William Blair & Co. LLC>: Great. Thanks for taking the question. Just a couple of questions, one, Matt, you used to talk about the timing of the approval of the air-traffic control system upgrade. It seems like obviously that it may take a couple of years to implement, but it sounds like there's a potential for you guys to get revenue sooner as some of these systems get put in place ahead of the actual true implementation of it.

And then secondly, can you talk about the M2M space in general? It seems like you had good data sub-growth there. Do you think that these subs are coming from customers of other satellite providers or is it overall an increase in the market size because some of the shipping companies and so forth are becoming more cognizant of the fact that using these types of devices makes them more efficient? Thanks.

<A – Matthew Desch – Iridium Communications, Inc.>: So, Jim, on the first question you were referring to the Aviation Safety Services approval for our systems to be installed in aircraft. Is that what you're referring to?

<Q – Jim Breen – William Blair & Co. LLC>: Yes, correct.

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah. So I mean just for everyone's knowledge, we did get approval for the data-linked component of that and are seeking voice approval here this year that would allow Iridium systems to go on commercial aircraft, primarily long-haul commercial aircraft to replace or augment the high-frequency communication systems that they use today because we're lighter, we work more – actually we work more effectively everywhere and we're a lot more cost-effective to maintain and operate.

And so everyone – especially since the data link portion is a very important piece, everyone is now looking to put us into airlines soon and that has progressed. I think that you won't probably see a big impact in revenues necessarily this year because it's still very early days. I think that starts to gather momentum over time. Nice thing is those systems are good ARPU generators, higher than probably our average ARPU because they're used fairly often and they're used all day long typically and everyday of the month on most of these aircrafts.

So they're nice systems, not high volumes necessarily but an important piece and it does put us into the cockpit of long haul airplanes, which frankly want to do many more things in the future. They want to support things like electronic flight bags, updating flight plan information and charts and have other things that they want to do and that all complements of course of our long term position in GA, in corporate and other places where we've been.

Your second question was about M2M subs in our growth and where is it coming from, is it new growth or is it taking away? I think it's primarily new growth business. It's a very early stages of an expanding market right now in M2M. It's a area that people are realizing they can get lots of efficiencies, cost savings, revenue generation, et cetera by tracking assets by tracking things, by controlling remote machinery, by all kinds of things that you can do with M2M.

I think we're really early stages. Most of this is I think new business. I mean there is some takeaway, especially as our device costs have gotten lower and lower and really – because we were sort at the high end of the market sector, now we can kind of serve almost the whole market. But it's a pretty big market, so I really think there's room for everybody there.

<Q – Jim Breen – William Blair & Co. LLC>: And just on the first point on – in the cockpit of commercial planes, I think there's also been – Congress had approved spending bill, so for the future upgrade of the ATC system in general. And I think there's been discussion about moving from the current [ph] STARS (25:14) radar based platform to something that's more satellite-based just increasing efficiency, being able to land planes and handle the traffic at the airports and so forth. That's something that is longer term, but it seems like you set up well for that if you already have approval to get into the plane's cockpit.

<A – Matthew Desch – Iridium Communications, Inc.>: What that's about is often called NextGen, believe that's what FAA calls it and they are building ground towers across the country as the country is actually partially built out with these NextGen receivers that can replace radar, particularly in remote areas and allow aircraft to be controlled more efficiently, be able to operate point to point and self-manage, et cetera, save a lot of costs. And yes, it's good news that that continues on. That's actually more aligned while we're consistent with that with what we do in terms of our services in the airplane.

That really is more aligned with what we're doing and talking about as it relates to a hosted payload. So, when we talked about a global aviation monitoring business, what we're really talking about is taking that technology or that capability that's being deployed for threshold services and extending it around the world allowing surveillance of aircraft over oceans, remote areas, places where they can't build those ground systems not that unlike what – how we complement really the cellular phone systems of the world that cover 10% or less of the world, and we cover the other 90%. So, it's kind of consistent with sort of our overall business model of complementary and an important and growing capability. And so, yes, we are going to take, I think advantage of that and you'll see a lot more of that soon.

<Q – Jim Breen – William Blair & Co. LLC>: Terrific. Thank you very much.

Operator: Thank you. Our next question is from Jonathan Atkin of RBC Capital Markets. Your line is open.

<Q – Jonathan Atkin – RBC Capital Markets Equity Research>: Yes, couple of questions. First, some of your peers have diverse government revenue streams not just the U.S. and I wonder if you could just kind of recap to what extent there's opportunities to grow with foreign governments as a segment? And then with regards to the product recall, I wondered if there's going to be any charges taken in second quarter or were the 1Q charges kind of the extent of it?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: I'll take the second question first. The charge that we took in the first quarter, we believe, addresses the problem in its entirety and we don't expect a charge in the second quarter.

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah in terms of the question, we are used by governments all around the world right now and really quite a broad number of just about every friendly government whether it's a military, but also first responders, fire, police to Europe and Asia and South America, all kinds of government use our services. But they all really flow through our commercial gateway, so it's difficult to necessarily pinpoint exactly what our revenue stream is from them except to the extent we know which partners serve those customers and have discussions with them and often have a detailed discussions with their end customers when they bring us into it.

And yes, there is still a lot of interest in not just this expanding portfolio of products that we have today, there's a lot of interest, for example, in Netted Iridium and where that is, people want that capability. A lot of machine-to-machine interest especially as it relates to unattended sensors and blue force tracking and those sort of things. A lot of them are able to encrypt their services and provide a kind of similar capability that U.S. Government is getting as well. So, it's hard to describe

what that capability is of course, but it is – we're very diversified around the world. And while we focus on U.S. Government because we can both define as revenues and because of sort of the strategic private network it employs, I really do think it's a global opportunity for us.

<Q – Jonathan Atkin – RBC Capital Markets Equity Research>: Thank you. And then for Tom, if you assume the second quarter EBITDA takes the similar kind of trend that we saw last year from 1Q to 2Q. It looks like the EBITDA growth rate in second half would need to accelerate into the double digits. And so I'm just wondering – to hit your guidance, I'm wondering what your comment would be there and what gives you the confidence that you're reiterating your guidance? And then just from a housekeeping standpoint, what's the very first year that the hosted payload would hit the P&L?

<A – Matthew Desch – Iridium Communications, Inc.>: I think – the latter question, I think, we'll talk more about that when we – in June. I think that's really what the focus of that should be about and we should really, probably save that question for that. That's – that will be an important part of what we described in that way. But Tom, you want to talk about that first part?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: Sure, yeah. I mean, as you know, Jonathan, the business is inherently seasonal and the first quarter is – tends to be the low point if you look at last quarter or last year, for example. It's just the effect of seasonality because of the usage in the spring and summer months spikes up. And so, our guidance is based on our funnel of activity, the growth in most notably machine-to-machine. We see significant growth in our recurring service revenues and then kind of on the expense front. While the first quarter is kind of a seasonally low, it tends to be seasonally high in terms of expenses. I think we noted last quarter that SG&A was low in the mid-15 range at \$18.2 million or whatever it was, \$18.1 million. This quarter is high. So we see that moving down sequentially. Similarly cost of service was a bit high in the quarter.

Our Boeing activity tends to be not be even through the year and so we have visibility into that expense moving down. So it's really the combination of all of those factors that underlie our affirmation of guidance.

<Q – Jonathan Atkin – RBC Capital Markets Equity Research>: Great. Thank you very much.

Operator: Thank you. Our next question is from Jim McIlree of Dominick & Dominick. Your line is open.

<Q – Jim McIlree – Dominick & Dominick Securities>: Thanks and good morning. Matt, you talked a little bit about potentially doing carried interest on the hosted payload. Could you explain on that as well as indicate whether or not you're still comfortable with the \$200 million or so from a potential hosted payload deal or end? And then lastly on that, would you be looking at putting your own cash into some sort of deal, potentially with a venture where you would be a partner in that?

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah. You're going to steal all our thunder, Jim, for June here, if you're not careful here. But, those are reasonable questions. And you're directionally, I think correct at least in terms of how we're looking at and setting up a business that truly could exploit this unique opportunity.

I don't want to go on to too much detail about the details of it right now, because obviously we're working those out and want to make sure we're very clear about that. But as we said, we do believe there is what I described a real estate element to this transaction, which means hosting fees during the timeframe of building up next as well as both -- as what we've always expected to be data fees for this payload as well as, in this case cost carried interest like how the retained interest or at least a profit out of the service and the unique nature of what that would be. And that's kind of a new piece of all this, obviously, is that we become encouraged enough throughout this opportunity, the

uniqueness of it. The fact that it can't be really done other ways, our partners' enthusiasm, customers' enthusiasm that says, we probably want to be part of this long-term as well.

So that will be a part, our job is to really explain what that all means due in June and we'll do that. And I think that's the time really to answer all those other questions and we need to provide you as much information as we can then.

<Q – Jim McIlree – Dominick & Dominick Securities>: Okay, great. And Tom, is it – are we going to see a big ramp in CapEx for the last three quarters of the year? And then, secondly, there's a very large increase in accounts payable quarter-to-quarter, what was that about?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: I think the payable increase was just – there was a payment Thales sitting in accounts payable. And swings in accounts payable is going to be very susceptible to where we sit with the Thales vendor. And CapEx, let me come back to on the CapEx question. I'd to hold that up. Let me take another question and I'll come back.

<Q – Jim McIlree – Dominick & Dominick Securities>: Great. Thank you.

Operator: Thank you. [Operator Instructions] Our next question is from Chris Quilty of Raymond James. Your line is open.

<Q – Chris Quilty – Raymond James & Associates>: Good morning, gentlemen.

<A – Matthew Desch – Iridium Communications, Inc.>: Hi, Chris.

<Q – Chris Quilty – Raymond James & Associates>: So as you mentioned, probably a good opportunity with Iridium's Inmarsat's price increase to pick up some customers there. However, it's also true that a lot of those customers are sort of locked in to Inmarsat, because of their position as the only certified GMDSS provider in the market. So I guess my question for you is where you at in the process of becoming certified for safety services?

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah. We're committed to going after that. We believe the opportunity is probably the largest it's ever been for us. I would say when I got here five years ago, six years ago, it was pretty clear that even if we pursued it aggressively, it would be difficult to achieve just because of sort of the political dynamics around the world. We've demonstrated we can break into that kind of regulatory environment with the aviation safety services approval. And maritime, I think is going to be similar. Some things that will have to happen to make that occur isn't really technical so much and that we can, I believe, resolve. It's just that those rules were kind of written around a system that's very different than ours and we'll have to go through the process to educate why our system is not only – is not equally reliable and reliant, but actually maybe even more so in many ways than the current systems that are – the system that's being deployed today.

That isn't a real revenue generator, but I agree it's a nice mark to have. It's a big, big checkmark you can have and to give your customers and partners confidence that whatever happens, you can serve that need because it's almost more of a cost than is a revenue generator. It hasn't really affected -- you can tell our growth to-date. Don't think it will necessarily in the future. But we are – we believe it's the right thing to do to continue to pursue it. But I don't think it's going to happen this year. But we'll keep focus on for next year or the year after.

<Q – Chris Quilty – Raymond James & Associates>: Any chance with the Iridium's Inmarsat's customers writing a letter of complaint to the International Maritime Organization that they might speed up the process?

<A – Matthew Desch – Iridium Communications, Inc.>: Well, I hope so. I mean, I really do think that there's – we're getting a lot of support and encouragement across the board not just from your customers, but from others in the industry who are in the maritime space, who believe an independent partner like us is the right thing to have. So we're – I expect a lot of help.

<Q – Chris Quilty – Raymond James & Associates>: Great. Can you talk about the new or call it the 9603, your new M2M device in terms of timing and whether you might have any customers holding back as they wait for that since you've already announced it?

<A – Matthew Desch – Iridium Communications, Inc.>: The 9603 – I mean, the 9602 which is driving all our growth is quite small and everyone was very pleased with it size. The 9603 is something like 70% even smaller. So it really does -- for some kinds of applications really drive potentially even more growth because of -- or more innovation at least because things like consumer devices and really small asset tags and that sort of thing are possible.

It's very imminent. It's almost ready to go out the door from remaining factoring perspective. Our early partners know its capabilities and they're starting the process of designing it in. It does not replace our 9602, because there's a lot of people who've designed a 9602 and -- there's a lot of those, so it's sort of adds to our portfolio, but that's our strategy as to keep providing more ways for people to innovate and put us into their networks.

I don't believe there's really a wait for, for us. Most people find the 9602 perfectly acceptable. It's probably more of a new category of applications that I think that it may enable as opposed to somehow a replacement of existing systems that work very well.

<Q – Chris Quilty – Raymond James & Associates>: Can you give an update on progress you're making with OEMs as well as the sort of growth you're seeing out of some of your new consumer tracking devices?

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah, I mean, OEM has continued to expand. I mean, I think I used to call that a strategy, you got to be careful not to let them expand in places where they don't need to expand. But we continue to have people being attracted and want to become value-added resellers and technology partners et cetera. So the total count continues to grow. We are seeing some new partners particularly like in the heavy industry space. We probably had really addressed so much in the past, large equipment that were now cost-effective to be able to track and I think that will be initiating growth space, as you said. Just had a real detailed review of the consumers' space, I think that's poised to really grow, particularly with some products that will be announced soon in that space. I think our partners there still feel very good about their prospects of a two-way personal communication and tracking devices. There's a number of those in that category, but a couple that are really now very cost-effective.

We're going to be at [ph] CTI (39:55) I'm sure that's going to be part of the buzz with some of our partners at that point, because there's a lot more intersections than ever with us in the consumer mobile space with around M2M, because there's a lot of activity there. But we're kind of converging with some of the carriers – some of the suppliers in that space who traditionally just focused on threshold. M2M now focused on adding a satellite component to that and realizing we're probably the best choice for that to be added. So we're still feeling very good about our long-term growth prospects and that we're still very early days in this whole machine-to-machine world.

<Q – Chris Quilty – Raymond James & Associates>: Okay. And final question for Tom, OpEx was up about 10% ex-D&A in the quarter, a little bit more than I was looking for. Is that a good level on a go-forward basis or were there some one-time items in there or seasonal items that impacted Q1 on both SG&A and R&D?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: Yeah. I wouldn't call them one-time. If you look at last year's sequential quarters, Chris, you'll see that SG&A was at its highest point in the first quarter. And so we think you're going to see something similar here this year. You'll see SG&A move down through the year. In the first quarter, we always have our partners' conference and we take that charge. We take that – we recognize that expense in the quarter when it happens. So first quarter tends to be higher, similarly some payroll related taxes and bonus type things tend to hit more unevenly in the first quarter. So our expectation is that moves down. And similarly in cost to service the Boeing expense was heavy in the quarter and we see that moving down.

<Q – Chris Quilty – Raymond James & Associates>: Any R&D plan for the year?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: That's going to be a bit more episodic. Over the course of the year, [ph] 5.7 (41:44) feels a bit high. I think you might see that come down a tad.

<Q – Chris Quilty – Raymond James & Associates>: So full year around the 2011 level, higher or lower?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: I would say in the area of the 2011 level.

<Q – Chris Quilty – Raymond James & Associates>: Okay, great. Thank you.

<A – Matthew Desch – Iridium Communications, Inc.>: The R&D expense is typically – especially since we use a lot outside contractors as well as some internal people. It sort of depends on what we're spending on that quarter. It's not necessarily a run rate of X number of bodies doing the same amount of work every year like maybe a traditional supplier might have. So – but I do and Tom's comments are instructive.

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: And then could I come back to Jim's question on CapEx? Hey, Jim just let me answer directly. So, the cash CapEx and the source and use of \$35 million-ish is low. If you take that number and add to it the PP&E received but not yet paid and this kind of goes to your question of puts and accounts payable. That's \$107 million high number, so it's 140-plus. You won't see us ramp up from the \$140 million level; you certainly will see us ramp from the cash CapEx of \$35 million.

<A – Matthew Desch – Iridium Communications, Inc.>: Were there other questions, operator?

Operator: Yes. [Operator Instructions] Our next question is from Chris King of Stifel Nicolaus. Your line is open.

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: Hi. Good morning, guys. Just two quick questions for you. First of all on the M2M consumer ARPU metric, you guys have been flat there for, well, over a year certainly around the \$18 range. Obviously, you have a lot of put and takes there with respect to some of the new products that you guys have launched and will continue to launch over the coming quarters there. I guess, I was wondering if you could give us a sense whether you expect that ARPU number to remain flattish for the remainder of 2012 with all of those various changes taking place there. And then, secondly, just with the Iridium Extreme issue. Just wanted to get or take on second quarter impacts and whether you see any, I guess, meaningful or measurable impact with respect to voice ARPUs and voice usage or anything along those lines with respect to losing those handsets at least for a brief period of time?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: So I'll take the first question. We've guided and we say in our public filings that we expect M2M ARPU to move down over time as we take on different applications that have very high volumes, but lower ARPU per user. And so that is

our expectation and we think about ARPU as moving down over the course of the year as we continue to add significant volumes to customers.

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah. And to the second question, the number of units in the Iridium Extreme has been very popular and I think it will continue to be popular. And as I just said we're going to – we're kind of like replace the units, we think in the second quarter that were affected but still continue to grow new orders because there's still additional demand as its even rolling into the second quarter. But in terms of like ARPUs, well, we think that we will be able to replace most of those units literally on a days or very a week or two kind of basis for most customers. And so – and overall the total number of units we're talking about affected is a very small percentage of our overall – I mean still a fairly small percentage of our overall voice subscribers. So in terms of its overall impact on our ARPU, I'd be surprised if it has a very material impact in terms of second quarter. So I don't really think there's that much impact.

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: Thanks. And then just a follow up on the consumer ARPU issues, so I'm clear. So you do expect that \$18 number to trend down albeit slightly by the end of 2012?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: That's correct.

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: Okay, thanks.

<A – Matthew Desch – Iridium Communications, Inc.>: And by the way, you've used the term a couple of times, consumer ARPU. I would call that commercial ARPU...

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: Commercial.

<A – Matthew Desch – Iridium Communications, Inc.>: ...because we sort of identify the consumer space sort of being a subset, within the commercial space there's an industrial segment and foreign military segs. There's a lot of other segments, none of which we really – we describe. But long term, I mean, ARPU is expected in our plan to decline as we get into more and more application that are – that don't need as much data. But as I described before to the market, ARPU is sort of a misleading term. It's not really a parallel to the terrestrial world for us because incrementally, each of those revenue adds to the bottom line. They're not really related so much to cost, so it's not a direct comparison. But of course, just long term in your modeling, you can't – we're surprised actually still that the number continues to hold so steadily. But I'm very pleased that it is.

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: And then, I guess, just one more quick question with respect to OpenPort, arguably a little bit of a more cyclical business there at least for a portion of it. Have you guys seen anything from a macroeconomic perspective that would give you more or less confidence, my guess, throughout the remainder of the year?

<A – Matthew Desch – Iridium Communications, Inc.>: Look, the shipping industry is not doing very – hasn't done very well for a while and it's not necessarily in great shape. But I think the overall competitive dynamics and the fact that we are into the space with sort of a new product for new builds and new systems at the right time, really kind of overshadow that for us and allow us to continue to grow, which probably sets us apart from others. And as I said the competitive dynamics are only helping right now in terms of people wanting to work with us even more. It's been good timing that we've introduced the Iridium Pilot, just at the right time and that are doing well. So that sort of adds to our overall confidence in that market and yes, it continues to grow.

<Q – Christopher King – Stifel, Nicolaus & Co., Inc.>: Thank you.

<A – Matthew Desch – Iridium Communications, Inc.>: Thanks, Chris.

Operator: Thank you. Our next question is from Andrew DeGasperi of Macquarie. Your line is open.

<Q – Andrew DeGasperi – Macquarie Capital (USA), Inc.>: Yes, good morning. Just call for – I'm putting in for Amy Young. But I just had a question on the subscriber equipment. I noticed you had a tough comp year-over-year because of the bulk sales from last year. I was wondering if – is that going to be repeated sometime this year or should we see subscriber trend sort of go – sort of normalized rate?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: It's not subscriber trend, it's equipment sales.

<Q – Andrew DeGasperi – Macquarie Capital (USA), Inc.>: Yeah.

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: And so last year, we put out incentives to cause RFP to take delivery early in 2011. No such incentive existed in 2012. So 2011 equipment sales we believe were stronger in the first quarter. But we believe that on the full year equipment sales in the margin from equipment sales is going to be in line with what we saw in 2011. So that's equipment sales, I guess, if there's a subscriber question maybe you could rephrase because I'm not.

<Q – Andrew DeGasperi – Macquarie Capital (USA), Inc.>: No, no. I meant equipment sales, sorry. And just one follow-up on the – you've been getting more color from Inmarsat's partners regarding the shift in strategy. In general, could you like give us some more information on the market opportunity there?

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah, we certainly are getting color from them, color for language probably is appropriate. No, it's been very disruptive across the board and really there's – everyone is talking right now about what to do about it. I think prices went up in May, a lot of people as – I think the previous questioner asked, are stuck right now but that doesn't make them happy about being stuck.

And I think it call to question sort of the competitive – where they stood as partners, what it looked like going forward to them, what they could expect in terms of what used to be sort of an independent channel where they could develop their business kind of independently and now are seeing that business possibly leaked away or taken away from them by their supplier. And obviously, they've been looking for what to do about that as they have been for a while.

So, I think we're a safe harbor for that sort of partner, a kind of place for them to go to that provides a valuable service, a cost effective service. I think it's made people want to talk with us more. We are seeing the effects start. It takes a while to ramp up. It's not going to be an immediate huge impact right away, but I think it's more of a long-term trend and momentum that I think will occur and we'll be the beneficiaries of that.

<Q – Andrew DeGasperi – Macquarie Capital (USA), Inc.>: Great. Thank you.

Operator: Thank you. Our next question is from Brian Rutenbur of CRT. Your line is open.

<Q – Brian Rutenbur – CRT Capital Group LLC>: Okay. Thank you very much. I have a big macro question trying to understand your upcoming catalyst, obviously this FAA deal. What about the competition? Can Inmarsat or somebody else squeak in here and do the same thing and disrupt this? And talk about what you're seeing out there in the competitive environment from that angle?

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah, there's – I mean, one of the reasons we are developing the confidence to move forward in that space is the fact that it's technically challenging to be able to monitor aircraft all over the world from anything other than lower orbit. One of the advantages of having a cross-linked lower orbit with satellites only little less than 500 miles away above the earth, the ability to actually – that is an altitude of which you can see aircraft, see their transmissions and be able to relay those to air traffic control facilities. So, it isn't very likely that anyone else could do it, certainly not cost effectively.

There are others that have proposed solutions that require massive new investments for aircraft beyond what's currently being proposed. I mean, there's mandates that actually put certain equipment on. One of the advantages of our approach is it doesn't require any new equipment besides what is really been mandated to-date. So, even if another system came along, it would cost a lot of money and I don't think there's a lot of interest in the overall aviation market for a significant new investment for commercial or general aviation aircraft to be able to get the benefit that we could suggest.

So, our interest in this is quite unique. In fact, if we don't do this, some of the things that would – the benefit that were accrued would not happen any other way for potentially ever, but certainly, for many, many years given investment that would be required in the next lower orbiting system to be launched is a long, long way away if ever. So that's why we are quite enthusiastic about the competitive dynamics.

<Q – Brian Ruttenbur – CRT Capital Group LLC>: Okay. So Globalstar is your NEXT – kind of having difficulty, but low Earth orbit tier, correct?

<A – Matthew Desch – Iridium Communications, Inc.>: It is another, I wouldn't know if they were NEXT or not. I don't see a lot of them in the market these days, but they are low Earth orbit. Of course, remember, they're not cross-linked. So, being a bent-pipe system, they really are more threshold based system. They're not a global system. They really operate well under where ground stations or under their satellites and when their satellites work, they're a quite different system than us.

So even in their case, first of all, they're not launching satellite that covered the whole earth and everything. Anytime soon that would be able to have any other payloads to perform this service. And while they could be used as sort of a data link for a system that would require new hardware and aircraft that really isn't I think the dynamic anyone is looking for.

<Q – Brian Ruttenbur – CRT Capital Group LLC>: Okay. Last question along these lines and I'm done. Budget delays. How much of this potential word is tied to current budgets, what happens with – there's all sorts of cuts being proposed out there for federal budgets? Is this already fully funded? Can you talk a little bit about that?

<A – Matthew Desch – Iridium Communications, Inc.>: I don't really know if that that makes a lot of sense to talk about now. Again, that's I think it's more of an item for June.

<Q – Brian Ruttenbur – CRT Capital Group LLC>: Okay.

<A – Matthew Desch – Iridium Communications, Inc.>: Obviously, we wouldn't move forward unless we felt a lot of confidence about our – about the ability and ability for us to generate the kind of returns that we're expecting. So I'll just – I'll leave it for that. And I know you mentioned the FAA, of course, remember they're going to be a potentially important customer, but we're really talking about a global system with all the ANSPs with the Nav Canada and UK NATS and Asian operators, et cetera and that's the exciting part about this is it's really a global system that the FAA is a really important part of and not the only part of.

<Q – Brian Ruttenbur – CRT Capital Group LLC>: Great. Thank you.

Operator: Thank you. The last question is from Chris Quilty of Raymond James. Your line is open.

<Q – Chris Quilty – Raymond James & Associates>: Speaking of aviation, I think this is the first time you've confirmed that you're now shipping your, call it the Aero OpenPort because I cannot remember the name. Can you give us an idea of what the opportunity is in that market in terms of volumes, ARPU contribution? And also for Tom, where would that fall inside your reporting structure?

<A – Matthew Desch – Iridium Communications, Inc.>: Yeah. That's – we call it Aero OpenPort so you got the name right. And we say we're shipping it. Frankly, in many cases, we're shipping parts to our technology partner, LiveTV who really is the technology supplier behind the scenes to those and so that is a little indirect. The opportunity we think is growing and extensive. There is a lot of interest in getting the higher-speed service onto aircraft at least, particularly in our case, we believe we are in the cockpit which is the primary focus and the sweet spot for our product, we think. There's a lot of interest in the cabin too, but I really think that that's more of a KA or KU or other kind of system long-term. And so there it's going to be more of a partnership we think we have or at least a complementary system on the aircraft.

But, as it relates to cockpit, we haven't been addressing because in some cases customers don't want to announce publicly at this point, our partners don't want to announce publicly, so it's difficult for us to be too specific. But we have seen carriers be interested and in fact adopting the technology and in fact that it's starting to be deployed right now, there are some regulatory things that have to happen for aircrafts. This thing called a STC, a Supplementary Type Certificate that is required to be obtained for new equipment installations and those are done by airframes. So, different types of aircrafts have that at different times. That is one of the things that will give the deployment. But, this is thousands of aircraft. Potentially, there is an opportunity over a number of years and those are – and the ARPUs of these, they're yet to be seen. But I think that they are at or above the maritime, potentially well above the maritime environment or maybe in the – maybe these things could be \$1000 per – because, again, they're used in a very important service. It's sort of on all the time or on very often and these services fly all the time. They don't sit in dock, that sort of thing in port for a while. So they will be good contributors to our bottom line when they come.

<Q – Chris Quilty – Raymond James & Associates>: And, Tom, now that the OpenPort is 10% of service revenues, does that mean you're going to break it out for us?

<A – Thomas Fitzpatrick – Iridium Communications, Inc.>: We haven't. I mean, it's part of commercial voice.

<Q – Chris Quilty – Raymond James & Associates>: Okay. Can you at least give us sort of an update on where you are in terms of installed units in ARPUs?

<A – Matthew Desch – Iridium Communications, Inc.>: I still think, obviously, we will do that over time. I think that's very competitive information right now on our mind, especially with the changing industry as it stands right now. We'd really rather – since it's not that material in terms of numbers compared to our overall subscriber numbers, we're kind of keeping that competitively quiet, but I think the 10% at least gives you an indication that it's starting to become an interesting part of our business.

<Q – Chris Quilty – Raymond James & Associates>: Tom would have just said no.

<A – Matthew Desch – Iridium Communications, Inc.>: You want me to answer your questions, Chris.

<Q – Chris Quilty – Raymond James & Associates>: Okay. And final, final one here. The AxxessPoint, I think that's been shipping for a little bit now. Can you give us a sense of what you're seeing in terms of types of users and usage patterns and how you feel about the product, how well it's taken off?

<A – Matthew Desch – Iridium Communications, Inc.>: I'm pleased. I mean, we're really – I think a relatively good number of units. Again, we haven't talked the total numbers, but there's – for just a product is now being really understood by our partner channel and their customers as to what it can do. I think we've had a lot of users. We've had a lot of great anecdotal evidence from people sending the pictures and tweets and telling me about how they've been able to do their BlackBerry at 18,000 feet in the general aviation airplane or be able to send messages from their smartphones in places they hadn't done or I hear of iPad apps that people use that work on our network very well. So, I'm hearing a lot of good things.

I think our partners have told us that it's a nice addition to our product line. It does add ARPU and in fact, pretty healthy ARPU, probably a significant percentage above what a typical user on an average would be. So, I think we'll let that settle out a bit more. I'd like to really give it a few more months at least before we start talking about what is sort of contribution as we do. Because it's still early days and I'm not sure if it's totally indicative, but it's certainly above our expectations when we first put the product out.

<Q – Chris Quilty – Raymond James & Associates>: Great. Thanks for all the commentary.

Operator: Thank you. There are no further questions in queue at this time. I'll turn the call back over to management for closing remarks.

Matthew J. Desch, Chief Executive Officer & Director

Well, thanks everyone for joining us again and we look forward to talking you through the quarter and hopefully seeing many of you in June as well. Thanks.

Operator: Ladies and gentlemen, this concludes today's program. You may now disconnect. Good day.

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