
MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Iridium Communications, Inc. conference call to present the earnings of Iridium Communications fourth quarter and full year of 2009. During the presentation, all participants will be in a listen-only mode. Afterwards, you will be invited to participate in a question and answer session. As well, today's call is being recorded. On the call today are Matthew Desch, Chief Executive Officer; Eric Morrison, Chief Financial Officer; and Joe Wilkinson, Investor Relations Representative for the company. And now, I would like to turn the conference over to Mr. Joe Wilkinson. Please go ahead, sir.

Investor Relations Representative

Thank you. Before I review the structure of this morning's call, I'll read the Safe Harbor statement. Various remarks we may make in this conference call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical fact and include statements about our future expectations, plans and prospects. Such forward-looking statements are based upon current belief and expectations and are subject to risks and uncertainties, which could cause actual results to differ from the forward-looking statements. Such risks are more fully disclosed in our filings with the Securities and Exchange Commission. The information set forth herein should be considered in light of such risks. Any forward-looking statements represent our views only as of today. 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 this call, we will be referring to non-GAAP financial measures. These non-GAAP measures are not prepared in accordance with generally accepted accounting principles. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures is included in our earnings release distributed today and is available on the Investor Relations section of the website.

Additionally, I have an important note about the use of combined results throughout this call. Through the call, we will be referring to the entity Iridium. On September 29, 2009, we concluded our transaction with GHL Acquisition Corp. becoming Iridium Communications Inc. In order to foster clear communication, we will use the term Iridium to refer to the combined results of the underlying operating entity when referencing full year results. Please reference this morning's press release for additional details related to this combination. Now I'll turn the call over to Matt.

Matthew J. Desch, Chief Executive Officer

Thanks, Joe, and good morning everyone. Although 2009 was a challenging year for most companies by any measure, I think you could say Iridium had a very good year. During the year, we completed our transaction with GHL Acquisition Corporation allowing us to exit the year with a strong balance sheet and at year-end after having paid off our credit facility we had approximately 147 million cash on hand. Additionally, our new standing as a publicly traded company enhances our credibility with existing and prospective partners, vendors, suppliers and customers as we contemplate or enter into new plans or agreements. Most importantly, it has given us a platform to take the next step towards launching our next generation constellation and I'll discuss more about that in a little while.

In a challenging year for many companies, Iridium grew our subscriber base by nearly 50,000 new subscribers increasing our combined government and commercial recurring service revenue base by over 15% to 213 million. On the strength of this revenue growth and strong service margins, we achieved above the high end of our guidance range for the metric on which we measure our overall operational performance, operational EBITDA, generating nearly 134 million or about 20% above the prior year.

We believe that our subscriber growth and our financial performance in the face of challenging economic environment clearly demonstrates not just the value proposition of Iridium services but also the earnings power and potential of this business model. We're very pleased with these results and since we're well into 2010 today, I can report that we're seeing encouraging signs of an improving business climate including strengthening equipment sales and stronger subscriber growth.

This improved business environment combined with the early partner and customer enthusiasm about our new products is fueling our optimism for continued growth. Earlier this year, we provided an outlook for growth in operational EBITDA in the range of 145 to 155 million. Data continues to be a key driver of growth and we expect machine-to-machine or M2M subscriber equipment sales and service revenues to be the major growth area for 2010, driven in part by the expected availability in June of a new smaller lower-priced 9602 data transceiver as well as continued growth in the sales of Iridium OpenPort maritime terminals and related service revenues.

Additionally, we expect continued strength in government voice and data services including increased usage of the Netted Iridium service and new U.S. government M2M applications coming online. We'll talk more about these products in a few moments when we discuss our markets and the products we have to serve them.

Based on this outlook, we want to provide more detailed guidance ranges for the full year 2010 to help investors better understand how we plan to continue our growth. We're planning for an increase in commercial voice, OpenPort data and voice service revenue and M2M data service revenue of about 10 to 12%. Again growing service revenues given their high margins and recurring nature are fundamental to our continued success.

We expect continued growth in U.S. government voice and M2M data service revenues of approximately three to 5%. U.S. government use of Iridium services is expected to continue to expand from traditional voice calling into tactical netted radio use initially in Afghanistan and eventually into other commands and from growing M2M data service revenue from an increasing number of applications for things like Blue Force Tracking, unattended sensors, messaging and logistics tracking and other important applications.

With regard to equipment revenue, we expect a modest rebound in revenue going from a significant decline in 2009 with the global recession to growth rates in the single digits in 2010. This has traditionally been the hardest element of our business to accurately predict but it has also produced good margins in the past.

Service revenue is much more important for the future though and given our healthy margins in all our product lines, we have the flexibility and equipment pricing to continue to drive subscriber additions and service revenue. We've had a good start of the year in equipment revenue so far and even with lower pricing in effect for 2010 we feel should see some modest growth in equipment revenues for the year.

In terms of subscribers, we expect to continue to see strong subscriber growth of 10 to 15% by year-end, primarily driven by growing data subscribers, both in M2M low-speed data as well as OpenPort high-speed data, though we expect to have growth in voice subscribers as well.

Since we're well underway in this year's first quarter, I can report to you that from what I see thus far, I'm confident that first quarter subscriber additions will exceed subscriber additions in either of the last two quarters. While the natural disasters in Haiti and Chile provided some of the initial growth this year, our partners are telling me there is generally a lot more business activity this year than there was at this time last year.

As I mentioned, during 2009 and thus far in 2010, we are seeing enthusiasm from our partners and our customers around the world around a number of new and recently introduced products that serve particular markets and I'll discuss these products in the context of the markets they serve.

First, the M2M market is growing well and represents a significant opportunity for Iridium. Harbor Research estimated a market opportunity on the order of 430 million units, both terrestrial and satellite-based by 2013 alone. According to a November 2009 report by TMF Associates, the number of low data rate mobile satellite service devices is projected to grow at a 21% compounded annual rate from 1.5 million active terminals at the end of 2009 to more than 3.1 million active terminals by the end of 2013.

To give you a sense of what I mean by M2M and the breadth of the opportunity, I would include applications like fleet management, container tracking, oil and gas industry applications, high-value equipment tracking, unattended sensors for weather biological agents or other things that are remotely measured, oceanic applications like buoys and gliders and the new fast-growing market segment of personal locator beacons. We again experienced exceptional growth in our M2M data market in terms of both subscribers and revenue, which we continue to see as a great driver of future Iridium growth. In fact, Iridium experienced 46% growth in commercial M2M data service revenue in 2009 over the prior year.

In our pursuit to remain the leader in satellite M2M, we unveiled the revolutionary Iridium 9602 data modem in January. The Iridium 9602 is a culmination of extensive two-year R&D program. Over 90 of our current M2M value-added manufacturers and resellers have already been testing and integrating the new 9602 into their products, and we expect many to start using the device as soon as it's ready to ship in volume in three months.

The matchbox-sized Iridium 9602 is significantly smaller, lighter and most importantly considerably less expensive than the first generation Iridium 9601 SBD modem, which the Iridium 9602 is designed to replace. The very small form factor and low power consumption will allow greater flexibility to value-added manufacturers and resellers embedding the Iridium 9602 into their products. We're already seeing how the Iridium 9602 has set a new bar for global real-time two-way service performance. I think you're going to see a number of new service partners attracted to the Iridium network for their customers based on the cost and size of the new modem.

For example, hopefully you saw last week's announcement by SkyBitz, a successful player in the satellite asset tracking business. Based on the 9602, SkyBitz is planning to transition its existing customers to an Iridium-based global product that reaches beyond their success in North America. I don't think we could have attracted SkyBitz to enter this exclusive arrangement with Iridium without the new 9602 and expect we'll be attracting other large partners in M2M applications in the future.

Another great new market enabled by the new 9602 modem is the personal tracking and messaging device market. The 9602 will revolutionize this market, which today is dominated by a one-way device that has limited capabilities. While the current one-way solution has undoubtedly helped rescue some users, it's also created cost and safety issues for first responders answering false distress alerts in often dangerous and difficult terrain. In addition, its one-way nature means there is no way to send a message to the customer to let them know their distress call has even been heard. There is a better way and Iridium is at the forefront of that opportunity. At least 10 of our Iridium value-added partners have plans to launch two-way devices in 2010, many plan to be built on the 9602 device platform.

What's better about the Iridium-based devices is that they work globally, and since they work two ways first responders can confirm the nature of the emergency and other details with the user before deploying a rescue effort. We strongly believe that two-way personal messaging technology should be the standard for emergency messaging devices and we're supporting that agenda with an industry-wide ProTECTS Alliance, which you can read more about on our website.

Now the maritime industry as a whole continues to represent a great opportunity for Iridium. We estimate that there are over 350,000 ships today growing to about 425,000 ships by 2013 that could use satellite connections to support crew calling, Internet access, location reporting for fisheries management and other mandated anti-terrorism, anti-smuggling requirements. There's a lot of growth expected in this market segment, particularly in data, but in voice as well and Iridium is well positioned to take advantage of the opportunity, particularly since we provide the only communication service that works reliably in all sea regions.

Arctic and Antarctic coverage is very important to maritime and to aviation customers as well who otherwise would be off the radar while transversing the large swaths of the earth's surface not covered by landlines or cellular. I also want to highlight our serving offering in maritime, Iridium OpenPort, which has been a game changer in our industry. Though it's still early in the life cycle of OpenPort, we've already seen significant sales of these maritime data units. We recently surpassed 1,500 activated Iridium OpenPort units for a wide variety of service providers and their maritime fleet customers. This is a big growth over the 1,000 unit milestone we passed only a few months ago. So you can see that this product continues to ramp successfully into the market.

This product has demonstrated delivery of relatively high ARPUs for our business and the market clearly likes the unit's small size, light weight, enhanced data speed service with three built-in phone lines. Iridium OpenPort has the best value proposition for maritime ship and crew communications through both data and voice with low cost for both equipment and installation. We're quite pleased with the results thus far and we look forward to significant growth in these high revenue per unit subscribers.

Let me transition to government customers now. Iridium voice and M2M data service revenues from its contracts with the U.S. Department of Defense grew 3.8% to 13.6 million in the fourth quarter compared to 13.1 million in the fourth quarter 2008. Full-year government voice and M2M data service revenues increased 2.4% to 53.7 million. For the full year, total government service revenue, including engineering services, made up 24% of our total revenues, making it an important part of our business, though smaller than our faster growing core commercial business.

In addition to service revenues, the U.S. DoD is also a great source of new ideas and funding to develop new applications and services of value to them but also that may have future value to commercial customers as well. For example, in 2009, we announced in conjunction with Boeing two major milestones and the continued development of the high integrity global positioning system program also known as iGPS being funded by the U.S. Naval Research Laboratory. We're pleased as to how this program is developing and we think it will result in an important and needed capability when it comes to providing higher accuracy and reduced jamming of GPS systems. It's expected to be deployed in the next couple of years.

Distributed Tactical Command System, also known as DTCS, or as we call it, Netted Iridium, continues to develop momentum within the DOD. Hundreds of Netted devices are being used in Afghanistan now and the program has transitioned into the Defense Information Systems Agency to make this service easily available to DOD customers. We think Netted Iridium will be an important new use of Iridium service for the U.S. government and its allies in the years to come.

So our long-standing and valued relationship with the U.S. government continues and we are expanding our service capabilities thanks to important funded development contracts. And in a trend that parallels our commercial business, we see more and more of government uses for our M2M services as assets are deployed and tracked around the world.

Of course, none of these products and services would be available without our one-of-a-kind satellite network. As many of you are aware, Iridium currently operates a satellite constellation of 66 low-earth orbiting satellites plus in-orbit spares. During 2009, Iridium lost one satellite and that was

due to a very unlikely collision with the defunct Russian Cosmos satellite. As a result of this event, we've instituted new procedures in conjunction with the Air Force Joint Space Operations Command with whom we've established a greater level of cooperation and information sharing, which we believe greatly reduces the chance that this will happen again.

Regarding overall health, we continue to maintain a number of operational spares in orbit and are comfortable that our spares will provide a commercially acceptable level of service until we begin replacing the constellation. As far as the eventual replacement of the current constellation, as we've recently reported we're well underway and good progress continues in developing Iridium's new next-generation satellite constellation, which we call Iridium NEXT.

As we previously indicated, Iridium NEXT will be completely compatible with all our current customers' devices and will enable enhanced capabilities and higher data speeds. In addition, government and non-government agencies alike are considering hosted payloads on Iridium NEXT satellite to support requirements for missions such as space situational awareness and environmental monitoring. Progress continues on the design of Iridium NEXT, with launches currently planned in late 2014 to 2016.

With the GHQ transaction behind us and two solid technical proposals in hand from Lockheed and Thales, we are now actively engaged in securing funding for NEXT with two export credit agencies or ECAs. Clearly an important component of vendor selection will be the level of ECA support and Lockheed and Thales are fully engaged in this process.

In connection with the pursuit of this financing, Iridium with Thales and Lockheed has filed separate applications with these export credit agencies seeking a significant portion of the funding for this project. Goldman Sachs is advising us.

Some of you have probably wondered what is ECA-backed financing? I encourage you to read our investor presentation on our website, which provides some of the details associated with the NEXT constellation as well as some considerations relating to our financing plans. But in the meantime, I can tell you that what's important from Iridium's perspective is that ECA funding tends to be longer term and provides for flexible delay draw-down mechanisms, so it's attractive financing if you qualify for it.

We couldn't get started on the process until we finished the GHQ deal in late September, but once we got rolling in late 2009 the process has been productive and we believe we will have an outcome this summer, which will allow us to select a single prime contractor for the satellites and keep on track for launching our new system.

So with that I just want to quickly summarize some key takeaways. The MSS market is an exciting place to be with lots of great opportunities and some specific strengths that differentiate Iridium from other players in the market, which include growing subscriber base and service revenue, growing operational EBITDA, a stronger post-transaction balance sheet, good liquidity, new and unique products and we have the only truly global mobile communications network. And with that I'll turn it over to Eric Morrison for more detailed discussion of our financials.

Eric H. Morrison, Chief Financial Officer

Thanks, Matt, and good morning. There are a couple things I want to point out before I get started. First, I wanted to point that we have significantly beefed up our financial attachments to our press release giving much more detailed financial information than was in our last quarterly release. Within those attachments for ease of presentation, we have created a schedule which combines the results of Iridium Holdings LLC for the first three quarters of 2009 with the results of Iridium Communications Inc. for the last quarter of 2009, which is the period following the acquisition. So

you can see our full year operating results without the confusion of the transaction interfering with the presentation.

Please note that this presentation is different than the combined presentation that we are required to include in the MD&A section of our 10-K. In addition, we've broken out the effects of purchase price accounting on our results, which I'll talk about a little bit more later so you can appropriately take the account of these effects when comparing to prior periods.

Now getting to the numbers, as Matt mentioned, operational EBITDA for Iridium increased 17.3% to \$30.2 million from \$25.8 million in the fourth quarter 2008. And for the full year, Iridium generated 133.9 million in operational EBITDA, a 20.5% increase compared with the full year 2008. Total revenue in the fourth quarter was 76 million versus 76.8 million in the fourth quarter of 2008, a 1% decrease. Commercial service revenue increased significantly largely offsetting the decline in subscriber equipment revenue.

Equipment revenue was down 21.8% to 17.3 million from 22.1 million in the fourth quarter of 2008 while commercial service revenue was up 10.7%, increasing to 39.5 million from 35.7 million in the same quarter last year. For the full year, commercial service revenue was up 20.3% to \$160.2 million.

Government voice and M2M data revenue grew 3.8% to 13.6 million in the fourth quarter and full year government voice and M2M data revenue increased 2.4% to \$53.7 million.

Net loss in the fourth quarter of 2009 was 4.7 million versus net income of 1.5 million in the fourth quarter of 2008. This period was adversely affected by expenses associated with the \$17 million of purchase price accounting adjustments net of tax.

Now let me take a minute to discuss some of the impacts of purchase accounting on our financial statements. The company assigned fair value to the assets and liabilities acquired in the transaction, which significantly – which resulted in a significant increase in their value. Our post-acquisition balance sheet reflects the impact of purchase accounting adjustments to increase the carrying value of inventory by 19.8 million, property and equipment by 332.5 million and intangible assets by 91.9 million.

Accruals were increased by 9.6 million and deferred revenue decreased by 7.4 million. These adjustments are estimated based on the information currently available and we may revise these estimates if better information becomes available prior to the one-year anniversary of the transaction on September 29, 2010.

These not only impacted our balance sheet but also our income statement as the new values are recognized over time. There are three purchase accounting adjustments that I really want to call out.

First, the decrease in carrying value of the deferred revenue relates to our customers' remaining balances on prepaid services at the transaction closing. As a result of purchase accounting, the deferred revenue liability was reduced to the fair value of the cost required to provide these services. Since our cost to provide these services is much lower than our revenue, this adjustment reduced commercial service revenue by 1.7 million in the fourth quarter of 2009. We expect this impact to continue through the third quarter of 2010, as the average expiry of our prepaid services is approximately 12 months.

Second, the purchase accounting adjustments increased our inventory to fair value, which is generally the sales price of the subscriber equipment as of the date of this transaction. This increased subscriber equipment cost of sales by 8.9 million during the fourth quarter. Because the inventory write-up was applied to equipment on hand as of the transaction closing, we expect that

all the equipment to be sold relatively early in 2010 and so equipment margin should return to normal sometime in the second quarter of 2010.

Third, the increase in carrying value of property, equipment and intangible assets to fair value as of transaction closing date increased depreciation and amortization by 17.8 million in the fourth quarter. The impact of this adjustment will increase depreciation and amortization over the useful lives of the assets affected and shield a significant amount of taxable income. To the extent that the purchase accounting affects the material, we will do our best to communicate them in the next coming couple of quarters. To this end, please see the first note on today's press release financial table.

For the fourth quarter, Iridium added approximately 10,000 subscribers, and for the full year we added approximately 49,000 subscribers, an increase of 15% over the prior year's total ending subscribers. I should make a point about subscribers. As we've included in all our disclosures and financial statements, our subscribers' count includes about 27,000 inactive non-revenue producing customers. Nearly all are M2M devices, which our customers put into an inactive state, ostensibly with the intention of reactivating these devices at some time in the future. But we found in the last year that many of these devices did not get reactivated. For example, many are in ocean buoys that get lost in or inactivated until and if they are found. We plan to institute a fee for these subscribers in 2010, which may result in a number of our partners deactivating these subscribers rather than keeping them in an inactive state. Obviously, there's minimal if any impact on revenue or earnings either way, but it will allow us to report a total subscriber count that's aligned with the number of revenue paying subscribers.

Now let me turn to financing. As a result of the completion of the transaction and ongoing cash flow from operations, we have an excellent platform from which to embark on financing, building and launching our next generation constellation, Iridium NEXT. At year-end, our cash on hand was about 147 million and we carried minimal debt. Our year-end balance sheet and our strong operating results put the company in a strong position to pursue various financing options. And as Matt mentioned, we're having productive discussions with two export credit agencies and we're planning on finalizing these discussions with the selection of a vendor and the closing of financing this summer.

As we've stated before, we expect to fund a substantial portion of the cost of NEXT from internally generated cash flow as well as revenues derived from hosted payloads on Iridium NEXT and from warrant proceeds. The remainder of the financing is expected to come from external sources.

And there are two points I want to make about financing activities. First, the type of financing we're seeking would be in the form that looks more like a line of available credit versus a straight bond issuance, which means we could access the credit lines in an incremental draw amount as the NEXT project takes shape instead of taking on a large debt burden at the outset. This would allow the company to carry only the debt we require. Second, we may seek more debt financing than we currently anticipate we need in order to address possible contingencies.

In closing, despite some real challenges in equipment sales during 2009 subscriber growth, coupled with strong usage by our existing customers, allowed for a healthy growth in subscriber revenue and consequently resulted in significant growth in operational EBITDA. And in early 2010, we are seeing some gradual turnaround in the market leading us to be more optimistic on several fronts. With that, we're glad to take any questions you may have. Operator?

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And we'll go to first to Chris Quilty with Raymond James. Please go ahead sir.

<Q – Chris Quilty>: Good morning, gentlemen. Congratulations on the fourth quarter results. A question for you regarding the subscriber growth forecast here for 2010, 10 to 15%, that would be a little bit below what you've done obviously in the past, a law of large numbers that apply here. But should we intimate from that that you're expecting a higher growth in higher ARPU subscribers relative to the M2M business going into 2010?

<A – Matthew Desch>: No, I don't think we're intimating anything specifically there. We're not giving guidance as you can see on specific subscriber types. And you're right, there is a very wide difference between an OpenPort subscriber and M2M subscriber that drives the most. And so given the wide variation of ARPUs, I don't know if I'd draw too much about the subscriber growth in general.

It's early. The other thing about it is, as Eric mentioned, the deactivation of the subscribers, if we get those inactive subscribers, if a number of them deactivate we're kind of taking that into account in that guidance already. So the subscriber rate – growth rate actually would be quite a bit higher assuming that a lot of those with a small fee would deactivate. So technically that's kind of why I think the numbers are a little lower than they otherwise would be if we weren't doing that activity this year.

<Q – Chris Quilty>: Okay, that was actually his last comment and that makes a lot of sense now. That kind of makes up for the difference in my forecast. Second question for you, did you give a monthly ARPU for the OpenPort product?

<A – Matthew Desch>: No. We have in the past mentioned that it's in the, say – I think we've said in the 500, \$600 range in the early days. We're not going to try to keep track of that ongoing basis. It hasn't changed much in our case, I will at least report that so far. It has stayed pretty consistent so far, so we're quite pleased with the performance of it. But yes, it has – it's sort of maintained that so far.

<Q – Chris Quilty>: Okay. And with regard to the M2M business, you've got the 9602 coming, you've already had some good partner announcements with that. Is it also fair to assume that your net adds in that business are probably going to slow here in the first half of the year as your partners await the arrival of that new product?

<A – Matthew Desch>: That's a good question. I haven't noticed that to be honest with you because a lot of our partners really have long-standing business requirements to ramp out there. And while they're building the 9602 into their products, and you've got to believe that there's a little bit of a transition as they go from one to the other, we're not trading off the 9601, so we'll continue to support that. Then if they want that, they can transition when they need to. And some of them have state certification requirements that would delay that anyway. But we're not necessarily seeing that sort of transitional stopping point, I think just because all of them sort of have requirements that they just can't shut down their customers to transition for.

<Q – Chris Quilty>: Okay. And I'll do a final question and back into the queue. You have or you forecast relatively modest growth in the Government Services business, and yet we've seen a number of articles out there talking about perhaps a surge of DTCS units into Afghanistan this year because of some of the problems with communications and delays in the [inaudible] satellite system. Does your forecast assume that you're going to see any incremental orders this year or is that based simply on the 1,500 units you've already received orders for?

<A – Matthew Desch>: Well it's – I would say we have a relatively conservative view of that so far because, frankly, we really need to see it operationalize sufficiently with the U.S. government. It is being transitioned into DISA, which is great because that's really where it should be managed from. But they'll do a very good job of ensuring that training is rolled out, that it's systematized, et cetera. And we're not totally clear about the speed at which they'll perform those activities. So I know the demand is there. There's a lot of interest for it, not just in Afghanistan but in other commands as well. But how fast that they are able to kind of get it ready to roll out in volume, we don't know yet. So I think we're taking a relatively conservative view in those estimates right now, and if they do better than that, that'll be great and we'll report that to you over the year.

<Q – Chris Quilty>: Great. Thank you.

Operator: And we'll now move next to Jonathan Atkin with RBC Capital Markets. Please go ahead.

<Q – Jonathan Atkin>: Yes, good morning. I have two questions. First on the EBITDA outlook, if we annualize the fourth quarter number and then think about how to get to the lower or even the midpoint of your range, is that ramp going to be pretty consistent throughout the year or are you expecting a particular seasonality in the growth in EBITDA? And then my second question is on your commercial revenues, across the various segments whether it's [inaudible] or M2M or OpenPort, is most of your growth predicated on growing the market or is it predicated on displacing the competitor? If you could, maybe, go through that amongst the different product categories?

<A – Eric Morrison>: I'll take the question on the seasonality. Typically – really for the last nine years, we've always seen weaker growth in Q4 and Q1 or weaker activity in Q4 and Q1. And then with Q2 and Q3, summer time essentially, we sell far more equipment and people use more minutes and we drive more service revenue during the summer. And I don't expect any different this year. I don't see anything that would vary from that. So I think that's the first part.

<A – Matthew Desch>: Yeah, by the way, that summer activity is summer in the northern hemisphere. Of course, our system works all over the world and there just happens to be a little bit more activity in the Northern Hemisphere than there is the Southern Hemisphere although we have a lot of customers in the Southern Hemisphere too and they're in summer right now. Anyway, in terms of second activity, is it growth or displacement by product line? I would say for the most part it's growth. I don't – there is obviously always some potential for some displacement of some competitors, but for the most part across the line right now I think it's all new growth. In handsets, I mean, I think that these days it's almost all growth right now. I don't know that there's a lot of displacement. And OpenPort, there is some displacement of Inmarsat's older technology but there's awful lot of new growth as well onto new applications they probably never expected they'd be able to afford, voice and data communications on their vessels.

And in M2M it's a wide variety of things. There's clearly some takeaways from others because I think as our product – the one last, if you will, our network was viewed by everyone to be the superior network with a real-time global capability, but our challenge had been on that device was a lot more expensive than some of the others. Now with the new 9602 we've kind of we have caught up there. And SkyBitz is an example of potentially something like that as would some others. I think you'll hear where I think some will move over to a better network because they'll get both cost and quality at the same time. That answer your question, Jon?

<Q – Jonathan Atkin>: Yes, it does. Thanks very much.

<A – Matthew Desch>: Great. Thanks.

Operator: And we'll now move next to Chris King with Stifel Nicolaus. Please go ahead, sir.

<Q – Christopher King>: Hi. Good morning. Just wanted to talk a little bit – again, I guess to a follow up on the commercial services revenue line, looks like that number even after stripping out the accounting adjustment was down 2.5, \$3 million or so sequentially, and that's certainly given you a handsome subscriber growth, would suggest a fairly significant ARPU decline sequentially. Just wanted to see a) if I'm reading that accurately? And b) if so, what's causing that?

Obviously you've got some puts and takes there, you've got some nice M2M growth that's certainly going to come in at a lower ARPU. Just was wondering if you could give us some color on that in terms of the ARPU number in the quarter on the commercial services side?

And then just looking forward into 2010, it looks like your guidance tends to suggest relatively flat ARPUs on the commercial services side throughout 2010. Just was wondering if I was reading that right? Or whether you guys were making any assumptions kind of one way or the other on the ARPU side?

<A – Eric Morrison>: Yeah. On the commercial service side, we reported in the fourth quarter 39.5 million of commercial service revenue GAAP. It had a 1.7 million of a purchase price accounting. So it would have been 41.2, and if you look at the 41.2 versus the 35.7, we were up 15.4% in service revenue in Q4 over Q4. So we're pretty pleased with that, and obviously a lot of that's due to the subscriber increase that we had. I think in terms of ARPUs, ARPUs have generally stayed reasonably consistent, and I don't think we expect any major differences. The only possible anomaly is what you'll have in SBD, if a lot of these inactive, non-revenue producing subscribers deactivate when we institute the monthly fee. What you'll have is you'll have SBD subscribers go down, but the ARPU will go up on the ones that remain, leaving revenue and EBITDA unchanged.

<A – Matthew Desch>: Yeah. Chris, I don't know what math you are doing there. You said specifically you saw a significant decline in ARPU on voice. And so we'll need to go through that with you afterwards, because there hasn't been any major changes really in ARPU this year, certainly that you could get that fast from your wrap on these numbers. So we'll be glad to talk to you offline about that, but there's – our ARPUs are fairly consistent.

I mean, I think with the recession this year there's a little less usage, probably the variable usage was down slightly, but it wasn't really that different from previous years. And I don't think we'll see a lot necessarily this year. We're not necessarily forecasting a big take-up. But we've had, over eight or nine years we've had pretty consistent ARPUs across the board. There's not been, like you see in thres or wireless, a significant decline over time as things happen. When we've added new products that gets in new areas like OpenPort, of course that's a whole new level of ARPU as you drive a lot of data. But I just want to...

<A – Eric Morrison>: There's a little seasonal effect again in – where Q4 and Q1 are a little down and Q2 and three are a little up though, maybe.

<Q – Christopher King>: Okay, yeah so that was what I wanted to follow-up on actually. So I mean numbers that we're using, I guess you guys did 43.9 I think in commercial services revenue in the third quarter, call it 41.2 or so in the fourth quarter adding back the 1.7 million, that's more of a seasonal effect then?

<A – Eric Morrison>: Yeah.

<A – Matthew Desch>: Yeah, that's the seasonal effect of North America kind of – fishing vessels going into port and less outdoor activity in the Northern Hemisphere in the winter that would need to use a satellite phone or an M2M device or that sort of thing. So...

<Q – Christopher King>: Okay, got it. Thank you.

<A – Eric Morrison>: Again the 1.7 of service revenue, that'll stay with us for four quarters. This was the first quarter. And then the write-up on our inventory, that cost of sales was with us in fourth quarter and it'll be with us in first quarter when we report out. But it should be gone after that because we roughly only keep about six months of inventory on average.

<Q – Christopher King>: Okay, thank you.

<A – Matthew Desch>: Thanks, Chris. Any other calls? Any other questions?

Operator: [Operator Instructions] And we'll take a follow-up question from Chris Quilty of Raymond James.

<Q – Chris Quilty>: Thanks, gentlemen. I just wanted to clarify first of all that, what were the number of inactive units, and when do you intend to actually announce that new pricing model?

<A – Eric Morrison>: Yeah, there were 27,000 and I think this summer. You have to give the service providers lead time and there's work to be done. But I think this summer we'll institute a small fee for an inactive suspended SBD subscriber. And then at that point in time the service providers will make the choice, well do I want to deactivate that subscriber and not pay the fee? Or do I keep it suspended and I'll pay a small fee? And the service providers ultimately choose whether to suspend or not suspend. We don't do it.

<Q – Chris Quilty>: Okay, fair enough. And will you be able to call out that number for us when you actually see the suspended units drop?

<A – Matthew Desch>: We'll, we've been clear all along about how many suspended units we have and we've reported that quarterly and we have this quarter as well. So I think you'll see that number change when it changes. And if we give you projections on that, we'll consider doing that as well, but right now we won't know for sure until later on this year.

<Q – Chris Quilty>: Okay, and just a clarification

<A – Matthew Desch>: That really doesn't affect revenues at all. It actually, I guess, increases ARPU's, if you will, as they go away; just changes the number of subscribers, and as I've said I've taken that into account and given you the guidance already.

<Q – Chris Quilty>: No, fair enough. I just – if a headline number came out that your net adds were flat in a quarter, we would tend to freak out if we didn't immediately jump to that number and back into it.

<A – Matthew Desch>: That's correct.

<Q – Chris Quilty>: Yes, and so a clarification on the first quarter, I think you mentioned that you expect your number of net adds to be above your prior two quarters and you added around 29,000 in Q3 and 10,000 in Q4 so should Q1 be above, oh, I'm sorry, it was 11,000, 10,000 in each of the two quarters. Is that primarily an effect of what you're seeing in Haiti and Chile and can you kind of quantify what you've seen in new subscriber adds there?

<A – Matthew Desch>: That's a good question. We've – because of the nature of our network and our distribution model, if you will, we don't have a direct one-to-one relationship with exactly selling to a customer, say in Haiti. It's done through our many partners and of course when the earthquake happened we got a lot of calls saying, you know, refill the phones that we were sending on, or M2M devices, or whatever it might have been. So we did see a spike in activity in Haiti over a couple of weeks in particular, and we know that that affected some of the subscriber growth. But I really think

that that was, compared to everything else, it wasn't necessarily even a majority factor in the first quarter. It's hard to tell.

It was just one of factors that we're seeing right now. I'd say at most it was a few, say 1,000, 2,000, I don't know, kind of subscribers that probably would have been – impacted that because we saw – I think at the maximum maybe about 1,500 subscribers or something use. And by the way, I think we had, as I remember, before the hurricane, there was maybe between – there was a handful of users around the Haiti area using that satellite phone. And, of course, that jumped very quickly up there. But again, it was a temporary effect. I think the bigger effect is sort of the general up-tick in the market. It's not just in handheld devices, but it's in M2M and in OpenPort. So it's across our business, and growth in subscribers is more general I think at this point.

<Q – Chris Quilty>: Very good. Thank you.

<A – Matthew Desch>: Thanks, Chris.

Matthew J. Desch, Chief Executive Officer

If there are no more calls, I guess I just want to thank everyone for participating and look forward to following up with those of you who would like to follow up and seeing you on the next quarterly call. Thanks very much.

Operator: And once again, that does conclude today's conference call. We want to thank you for your participation.

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